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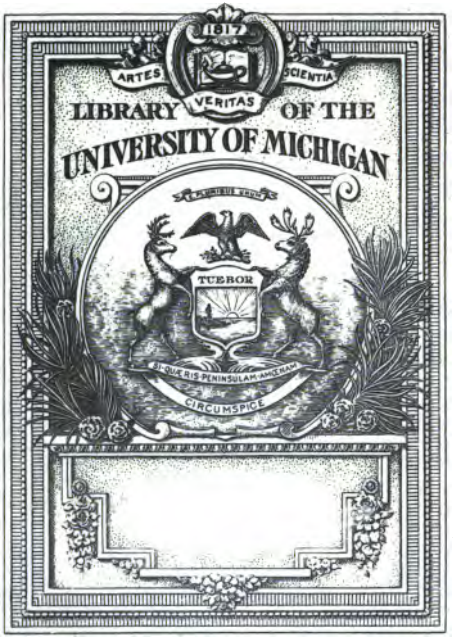

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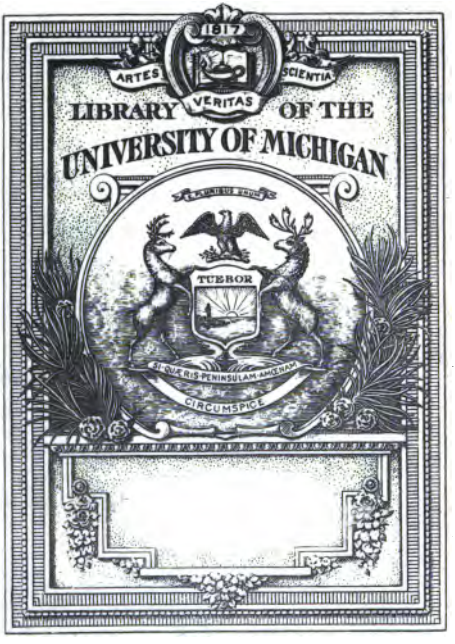

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Beck, William

MONEY AND BANKING

OR

THEIR NATURE AND EFFECTS CONSIDERED.

TOGETHER

WITH A PLAN FOR THE UNIVERSAL DIFFUSION OF THEIR LEGITIMATE BENEFITS WITHOUT THEIR EVILS.

BY A CITIZEN OF OHIO.

CINCINNATI:

PUBLISHED BY WILLIAM BECK,

(*And for sale by the principal Booksellers in the United States.*)

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Mrs. James Campbell
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ENTERED according to the Act of Congress, in the year 1839, by W. BECK, in the Clerk's office of the District Court of the Western District of Ohio.

PRINTED BY ELY & STRONG.

TO THE PEOPLE OF THE UNITED STATES.

My Friends and fellow Citizens:

THE subject of the following sheets is respectfully submitted to your consideration. To a commercial and enlightened people, far advanced in civilization and the arts, there are few subjects of more importance than those which relate to their currency and exchange.

In the early periods of human society, when man, though possessed of reason in its almost unimproved state, was yet devoid of civilization; when war was his trade, when plunder was his object, and extermination was his savage glory, the strongest, the most ferocious, and frequently, the most wicked of a tribe became its leader; he sounded the tocsin of war, he led his troops to battle, he urged them to the indiscriminate slaughter of those against whom they were arrayed, and reduced to slavery such as escaped the general massacre. Thus was slavery, undisguised and open slavery, the first means which man

invented, to possess himself of the produce of the labor of his fellow man, without returning it in his own.

From such a state of things, pirates and land-robbers proceeded, under the more popular term CONQUEST, to reduce nations and people to their dominion, and settled themselves as kings. By these means established forms of government became introduced, some intervals of peace were secured, time and opportunity were furnished for reflection, and the necessity of securing personal rights, a necessity founded on principles of natural justice, gradually gave birth to those of a political nature.

But though the possessors of thrones, to which they had been elevated by the subjugation of a people, could perceive that the administration of justice would add to the stability of their government; yet they were aware that the same means by which they had risen to power, and the presence of a host of confederates, participating in the common plunder, were still necessary to preserve it. As slavery was abolished and justice professedly established, contrivance became necessary to delude the multitude, and to retain, for the few privileged orders, in a new

form, the same advantages as before. Hence, from the ashes of slavery arose the germe of Aristocracy to supply the place of its parent.

In the several periods of human history the disposition of a few to riot on the labors of the many, to control their industry and to rule their destinies, has shewn itself in various ways; always accommodating its path to the prejudices and the errors of society; but ever aiming, and hitherto, ever accomplishing the same end. The business of banking was originally founded on the supposed necessity of money, as the only possible medium of effecting the exchanges of society. It proceeds under cover of the errors of opinion. It professes to supply wants supposed to be natural, but which in reality are artificial, to remove obstructions, which exist not in the nature of things, but in our prejudices. It flatters only to betray. It is now the stepping stone to aristocracy in these States. It has already introduced the superfluous capital and the overgrown influence of British Aristocracy, to absorb our wealth, and to expend, in foreign lands, and on foreign individuals, the profits of the labor of the American citizen. If not arrested in its early bud it will undermine the free institutions

of our country, prostrate its energies, and reduce the bulk of our people to that state of degradation and misery, which prevails among the congregated thousands of British and Irish laborers, in their native country.

That the United States, which were the first nation in existence to present to the world, the practical exhibition of an enlightened people, wielding the sceptre of their own government on principles of civil liberty, without the incumbrance of an oppressive aristocracy, foreign or domestic, may be also the first to adopt those principles of sound political Economy for the preservation of their natural rights and the due division of their national wealth, without which political forms of government are empty names, without which no administration can be preserved from corruption, no people protected in their civil and their social relations, is the ardent prayer of your sincere friend and fellow citizen—

THE AUTHOR.

PREFACE.

To the Reader.

THE following pages have been written in the intervals of numerous occupations, which, whether important or not, to the world, have, during the time of their continuance, exercised a peremptory sway over the occupations of the writer. Those intervals have been very irregular in their returns, and in some instances, so far distant from each other, that the chain of ideas with which many parts of the subject were begun, has been dissipated and lost before the pen was resumed. On each resumption much has been written and re-written, much was re-arranged, and much was expunged to accommodate the whole to the last train of ideas.

Hence, he considers the present performance, on this account, as well as from the novelty of the plan which he proposes, no fair subject of criticism as a literary composition. Some indulgence, he conceives, is due to the defender of a cause, whose main proposition is calculated to

serve morality, and the public good, a proposition, startling to the existing prejudices of society, and which he believes, has never been defended, nor even broached by any author before him. That the subject of MONEY, in its practical part, as a commercial science, is well understood by some classes, is a question which he does not deny; but its very partial effect on different classes of the community as a pecuniary benefit, is a circumstance that might, for centuries, prevent it from receiving that candid investigation which it deserves.

The author does not presume to say that he has done justice to the subject; but its great importance to society generally, and to the commercial world in particular, the improbability of another person stepping forward to advocate the same plan, and the necessity of drawing upon his own resources, for the support of his own opinions, induce him to present it to the world with all its merits and with all its faults, whatever they may be.

If the observations here thrown together are fallacious, if money with all its moral, with all its commercial and political evils, is still a more desirable medium of exchange than

credit in account, the writer is desirous to see his fallacies exhibited and the superiority of money established both in theory and practice: but if on the other hand, his arguments are founded in reason, if they are sufficient to support the general proposition, that credit in account is, for commercial purposes, better calculated for a medium of exchange than money, they deserve the serious consideration of a scrutinizing public.

CHAPTER I.

Remarks on the necessity and nature of a medium of exchange.

Constituted as human society now is, there are few subjects of greater importance to a community, than the plan by which it effects the exchange or the interchange of its commodities. In the early and unimproved state of society when each individual was required to produce for himself the greater part of what was necessary for his own support and comfort, small, indeed, was the portion which he could produce, low was the human condition laboring under such disadvantages, and simple were the principles necessary for exchange.

In a more improved state, when the arts and sciences have made greater advances, when a due division of labor has been introduced, and each producer has attained to a considerable degree of proficiency in his new art, when society is so far improved as to be able to bring forward, not only a full sufficiency for the supply of its own wants, but even an abundance for the assistance of other societies, or as provision for a fu-

ture day; nay, even when the arts and sciences have been pushed to a high degree of perfection, great is still the deficiency, if it be without the adequate means of distributing that abundance, upon the sound principles of justice, into those channels necessary for its consumption, for the supply of the extended wants of the human family.

In surveying the nature of man, the variety of his wants, the capabilities of his productive powers, and the enhancement of those capabilities by the confinement of these powers to the production of one, or, at most, to a few of the many commodities required for his support, and comfort; and judging by the experience of the present day, we are led to conclude, that having employed himself in the service of one profession, or in the production of a single commodity for any length of time, he will have earned or have produced a sufficiency not only to supply his own wants of that kind, but also to furnish himself with a surplus to exchange for commodities, the production of others. Hence it follows, that he is, by the circumstances of his nature, as well as by the habits of society, compelled to have recourse to a system of exchange, and such compulsion being the common condition of every member, it becomes necessary that the laws of that society, should protect him from injustice and oppression in the performance of that duty.

If exchanges could be effected by barter, and each party could obtain in that barter, precisely the thing, and precisely the quantity he wanted, without any other expence, loss, injury or risk, than what, in the nature of things, is unavoidable, the natural and the real purposes of exchange would be, by that means, best effected.

Let us take the following supposition for an example, as supplying the principal objects of exchange. In the divi-

sion of trades and professions necessary for the progress of society, A. is the producer of a commodity, some portion of which is destined for his own use, and the remainder to be distributed through the different orders of society in exchange for other commodities, which A. must procure to supply his other wants. Sundry parts of this remainder he carries to B, C, D, E, and others in succession, and receives from each, commodities of other kinds, precisely the quality as well as the quantity, which he wants, and in each case, equivalent in value to that which he delivers.

Let it also be supposed, that, in like manner B, C, D, & E, carry out their several surplus commodities, and receive in exchange, other commodities that they require for their consumption, and are equally suited with respect to quality, quantity, and equivalent. The act of exchange, and its advantages, in each of these cases, will be complete. Each one will have disposed of a commodity which he had for sale, a surplus till then remaining on his hands for that purpose, and will in return have possessed himself of commodities which he required for his use, and that in such kind and measure as he required. Here is a plan of exchanges effected without loss or risk, and without any other expences than such as arise from the nature of things. These items of expence are, the journey of the travelling party to and from the place of contract, the time unavoidably consumed in bargaining, and the expence of conveying the exchanged commodities from the producer to the consumer.

But the system of barter, though in theory it presents many advantageous features, is yet not suited in practice to the present state of society, a state in which opportunities containing such advantages seldom, if ever occur, and which, if in a few cases they did so occur, would be attended with

disadvantages that in a considerable degree would counterbalance them. Still as these are the benefits sought for in exchange, it is advisable to keep them in view that we may realize them as far as possible in the plan to be laid down.

When the business of exchange is effected by the agency of money, or of some other circulating or intervening medium, the process is divided into two parts.—The first consists of a contract, a delivery of goods from one party to another, and a contra delivery or payment of money from the receiver of the goods to the deliverer. In the time, which elapses between the receipt of this money, and his subsequent disposal of it in exchange, or in purchase of the goods, with which he wants to supply himself, which purchase is the second part of this process, this money is held by the seller as a document for goods which he has produced by his labor, or otherwise possessed himself of by lawful means, and delivered to society, or to one of its members, which document furnishes him in return with the evidence he has of a right to receive credit with society, or with any one of its members, for goods of equal value, wherever he may find them exposed to sale, he transferring to the former owner of such goods, this document and evidence for the benefit of such owner, in place of the goods delivered in consideration of it. The amount of this money, expressed with its fractional parts, is also the counter of the quantity, or amount of credit due.—Hence, we may fairly consider money as the document of services or goods performed or delivered, the evidence, admitted by common consent, of a claim upon society, and the counter of the quantity or amount of that claim.—These, it may be said are the substantial purposes which money is intended to answer.—

To promote these objects is the duty of the circulating medium, or means of exchange. It should procure value for value in equal ratios, that is, equivalent for equivalent. It should perform this office without loss, risk, injury or expence to the exchanger, or if such effects are unavoidable, with as small a portion of them as possible, and that portion should be equal to each party.

CHAPTER II.

OF THE NECESSARY QUALITIES OF A CIRCULATING MEDIUM—THE ADAPTATION OF SPECIE FOR THIS PURPOSE—A COMPARISON OF ITS EFFECTS WITH THOSE OF BARTER, AND A CONCISE VIEW OF ITS ADVANTAGES.

In pursuance of our object it becomes necessary to inquire:

First.—Into the qualities which a circulating medium ought to possess.

Secondly.—Into the advantages of that, which we now have in use, that is, specie.

Thirdly.—Its disadvantages.

Fourthly.—Whether a substitute for it can be obtained, which, while it retains all the advantages of money itself, shall be free from its disadvantages.

Among the qualities which a circulating medium should always possess, there are at least five, which are indispensable. These are:

1.—It should be admitted by common consent for that purpose.

2—It should contain intrinsic value, within itself, equivalent for the sum for which it circulates, as so-

curity against the withdrawing of this consent, or of public estimation.

3.—It should be divisible into all and any of the fractional parts into which value can be, or necessarily is divided.

4.—It should be conveniently portable or transferrable.

5.—It should be imperishable, both in its substance and in its intrinsic and estimated value.

These qualities, though they are necessary for every circulating medium have, as we shall hereafter see, their disadvantages, as well as their advantages.

The first quality assigned as necessary in the circulating medium is that it should be admitted by common consent for that purpose. This quality is possessed by money to its full extent. In the case of the barter, it is not necessary for either commodity; the consent of each party to take the goods of the other in exchange is sufficient. The qualification in question is only necessary with an article laid down for the special purpose of acting as a medium of exchange, a purpose frequently effected by an instrument which has no other use, no other value, and which derives its utility from that single qualification.

The second quality required for a medium of exchange, is, that it should contain intrinsic value within itself equivalent to the sum for which it circulates, as security against the withdrawal of this consent. This quality is evidently and to all intents and purposes contained in commodity.—It is contained also in the circulating medium (specie,) as long as it possesses the public confidence, and maintains its correspondent price as a metal, but no longer.

With respect to the third quality, that of divisibility, *this*, money possesses in a superior degree. Although, it does not

attach to commodity generally, yet it is supposed in the case we have drawn. Where barter can be effected, it is quite sufficient, that the commodities, on each side are of equal value: no further quality of divisibility is required in either, as far as that contract goes.

The fourth quality, that of portability, or facility of transfer, is as much in favor of barter, as of sale and purchase by means of money. There is nothing in the convenient portability of money that can do away with the necessity of conveying the bought and sold commodities from the place of their growth or manufacture, to that of their consumption. This quality in money, however convenient it may be, is but a drawback on the extra duty to which its owner is subjected by its intervention. There is, however, no such drawback to the risk of being defrauded by counterfeit specie, nor from the necessary caution and unavoidable danger attendant on the custody of money.

The fifth quality, that of imperishability in its substance and its value, is, as far as barter is concerned, sufficiently answered by the supposition that the commodities exchanged are, on both sides, required for present use, that is, for use within that period in which they are not likely to sustain much damage, either by decay, or by the diminution of their market price. With respect however to specie, although it may for a very long period of time retain its substance; yet the time may come, and circumstances may arise, when a great portion of that value, which is simply dependent on estimation, may decline. A great diminution in the value of the precious metals took place in Europe after the discovery and working of the American mines, and it is not impossible that similar or even different circumstances may

yet transpire to reduce their value still more. On this subject we shall have some thing to say hereafter.

There are yet other qualities which, though they have not hitherto been considered indispensable, are desirable, and I think, attainable, namely:

6.—The circulating medium should be capable of effecting all those benefits which would be effected by barter, if it could be always, and conveniently done.

In the barter above supposed, each party comes possessed of his commodity, which he wishes to exchange. He possesses it in its full value; it being, as we consider, the production of his labor, that production must on every just and natural principle, be equal in value with the labor which produced it. It is, in fact, labor in its matured form. Possessed of this commodity he is naturally and sufficiently in a practicable state, to proceed to exchange it for the commodity which he wants, on equal terms; but if he be required to purchase with money, he is laid under a condition which is perfectly arbitrary, which is not in the nature of things, and one which will require of him always some, and frequently considerable sacrifices to comply with. He will be subjected to all the impositions which a moneyed man knows how to practice on one who wants, and must have, money for his commodity. But if forced to obtain the commodity he wants by means of sale and purchase, not by that of exchange, he must submit. He must sell at the sacrifice that is required of him, before he can be qualified as a purchaser, or be in a practicable state to proceed to market for the commodity he wants. Having submitted to this sacrifice, he has performed one half of his business, the other half remains to be done, and for doing this his path is beset with further disadvantages to which also he must submit.

In the contemplated barter he might have exchanged, even handed, labor for labor, but now money has intervened, he has been forced to submit to a disadvantageous sale, to possess himself of money; to qualify, or in other terms to enable him, to purchase, and now he must purchase his commodity, the produce, perhaps, of a foreign country, with the value of which he is unacquainted, at a price mystified by a name in money, of the justice of which he knows nothing more than what is understood or presumed from customary prices.—In the case of barter, each one is understood to want that which he obtains from the other, in exchange for that which he has to dispose of, consequently, each one has effected two purposes, that of disposing of a surplus of commodity, which he did not want, and that of obtaining commodity, which he did want; and this in ordinary cases, may be supposed to be under circumstances in which each one possesses a tolerable chance of judging of the value of the commodity produced by the other.

In favor of barter it will be contended that in the example quoted, each party is in want of what the other has to dispose of, and that therefore both, are, by the exchange, furnished with what they want. Here an advantage seems to be in favor of barter. On the part of money it is contended that it is imperishable, and will retain its value, while the commodities received by barter will sometimes perish in the hands of their owners. On the part of barter it is replied that each one, wanting what he receives, may be expected to have occasion to use it before it can so perish.—On the part of money it is contended that its parts are divisible into all and every of the fractions into which value can be divided. On the part of barter it is replied that

the case supposes the quantities on each side to be the exact quantity which each one wants, so that, in this case, no other division of value is required.—On the part of money it is contended that each one, though he may know the value of the goods, which he has to dispose of, may yet be deceived in the value of those for which he exchanges; but would not be deceived in the value of money inasmuch as that value is expressed by the stamp affixed to the coin.—On the part of barter it is replied, that when goods are sold for money, one half only of the exchange is then effected, and that if there were no danger of being deceived in the value of money, that of being deceived in the value of goods remains to be encountered when the exchange is completed by purchase: that so far from the risk being lessened by the use of money, it is increased, in as much as the danger of being deceived by counterfeit money is added to it. On the side of money it is again contended that gold and silver are portable materials, that they can be carried about the person without inconvenience, ready to answer any necessity that may arise. On the part of barter it is answered that though, to a limited amount, gold and silver are portable materials, yet they are not carried without risk of loss, that this necessity is anticipated, determined and supplied in the barter, that nothing is saved in the carriage of the goods originally delivered at sale, nor in those ultimately received in purchase, since both must be brought from the place of growth or manufacture, to that of consumption, the only carriage supposed in barter.—In these respects, the barter, under the conditions supposed, seems to be entitled to at least equal merit. It is however necessary to state, that the circumstances of this exchange in favor of barter, are merely supposed to suit the

case. They are here expressed to show certain objects which it is desirous to effect by exchange, and which should be within the range of the plan hereafter to be laid down; but, in the present form of society, it is not to be expected, that persons, having goods to exchange, for others which they want to obtain, can meet with those which they want in the exact quantity and quality to suit themselves, and in the hands of persons who are willing to take in exchange what they have to give, of the quality and kind in which they happen to be, and in the quantity in which the commodity is, or in those into which it can be divided. The barter of commodity appears to be impracticable as a general means of exchange.

But though in the example supposed the circumstances were adapted to the attainment of the necessary objects; yet where the system of barter is pursued, as is the case in every instance of two persons mutually supplying each other with commodity, and consequently having reciprocal accounts against each other, there will be a disposition in the parties, notwithstanding great and unavoidable differences in the separate amount of the particular items, to promote a constant tendency in the two accounts to approximate towards a balance in the aggregate amount, an approximation, which with an occasional fluctuation of the difference, from one side to the other, may be sufficient for all the purposes of trade for any length of time, that the two accounts may continue.

But if these two individuals, the owners of the accounts, desirous of making a still nearer approach to a balance, choose to admit into their circle a third person, who is either a debtor to the debtor, or a creditor to the creditor an actual balance may be effected with at least one of

those parties, while the other two remain to liquidate their accounts, either by a payment made through the means of the circulating medium or by a farther trading for that purpose. In this view of the case it is evident that the farther this plan is followed up, the greater the number of balances that may be effected, and the smaller the number of unsettled accounts remaining; or it may be considered, that each item of account becomes liquidated in order to make room for a new succession following in a perpetual wheel. The present however is not the place for pursuing this subject; it will be resumed in a future chapter. In the mean time it may be proper simply to say, that the advantages contained in the supposed case of barter, are not trifling. They are of two kinds, first those of a positive nature by which they simply answer the objects of exchange, and, secondly those of a negative character, by which they are free from all those objections which we shall hereafter see, attach to money, whether in specie or in any other material.

To return to the subject of a circulating medium, it will be freely granted, that commodity in all its bulk, with its deficiency of divisibility, and with its liability to perish, is by no means suited to such a duty. The precious metals, as far as the experience of society has gone, seem to have best answered this purpose.

The advantages of money then are these: It is a credential of property, a bill of credit with a whole society, a commodity, if so it may be called, generally admitted as a medium of exchange, for all other commodities, sufficiently portable to be carried about the person without much inconvenience, sufficiently divisible to accommodate itself to any of the various amounts or fractions of value which any commodity, or any portion or quantity of commodity can have, of a sub-

stance sufficiently imperishable to insure to its receiver a return equal to its nominal value within any period which he may have occasion to hold it, and of a reputation sufficiently established to maintain its accredited value, as long as society can be influenced to continue it in its present degree of estimation.

That the precious metals have answered the purpose for which they were introduced, better than any thing else that has yet been tried, as far as the extent to which they have been supplied enabled them to do it, seems to be decided by public opinion. Money, that great wheel of circulation, that summum bonum of every thing that is great and desirable on earth, the object of general admiration, of universal pursuit, is an article with which men are too much in love to find fault. It is too dazzling to allow the ordinary spectator to perceive its blemishes, and too delusive to produce universal good.

CHAPTER III.

DISADVANTAGES OF SPECIE AS A CIRCULATING MEDIUM—THE DISADVANTAGES WHICH GROW OUT OF ITS NATURE—ITS DEMORALIZING INFLUENCE ON SOCIETY—THE CREATION OF AN ARTIFICIAL BURDEN—THE ORIGINAL COST OF SPECIE—THE EXPENSE OF MAINTAINING IT—ITS LIABILITY TO BE LOST—TO BE COUNTERFEITED—TO BE STOLEN—ITS UNFITNESS FOR REMITTANCE—THE DEPENDENCE OF ITS VALUE ON ESTIMATION—INSECURITY OF THIS DEPENDENCE—POSSIBLE CASES IN WHICH A REDUCTION MAY TAKE PLACE.

THAT the introduction of the precious metals in the character of a circulating medium, has not answered the whole purpose which was intended, is, I think, evident from the many auxiliaries which every society has called in for its asistance, and from the various subterfuges which every nation, every united company, every mercantile house, and great numbers of individuals have adopted in the shapes of national funds, treasury and exchequer-bills, bank-notes, bills of credit and exchange and a hundred other expedients to supply that deficiency of accommodation, which they found themselves to be laboring under in the progress of their speculations.

But in proportion to the wants of the whole community, how narrow are the limits to which, by such means as these, even where they prove successful, the accomodation is ex-

tended; and how disastrous is the failure to thousands, nay even to society in general, the greater portion of whom could not have been benefited, even by the success of these different projects? If there be any means capable of supplying a whole community, these means should be adopted in preference to others which supply only a part. The system which applies but to a few, and which encourages their hazardous speculations for their own benefit, in case of success, and injures the whole community in case of loss, is delusive to the rich, oppressive to the poor, unjust to society, and ruinous to thousands.

But while political economists and political rulers, in the establishment of a circulating medium, have been careful to select those qualities, which simply enable it to perform its office, they seem to have overlooked entirely, others of a highly important character, necessary to preserve the morals, the trading and commercial advantages, the social and political integrity of a community, and the safety of its most valuable institutions. It seems to have been little noticed that the very qualities which recommend it for its direct purpose, which enable it to perform its office, act in conjunction with the value that it receives by being the adopted medium as a two edged sword. While it performs the duty of exchange, its holds out to the unprincipled and dishonest, to the robber, and frequently to the murderer the inducement which prepares his mind for the iniquitous act which he perpetrates in order to obtain it. Admitted by the power of the state, and by common consent to its office, it presents to him the means of turning it to account with great facility and little chance of detection. Containing within itself intrinsic value, the temptation becomes increased. He can, if necessary, transform it by fusion and

add to the difficulty, if not altogether baffle the power of detection. Divisible into any fractional parts, it can be so divided, and so disposed of, as to prevent the discovery of its identity. Conveniently portable and capable of being concealed about the person, it can be carried to any remote distance. Imperishable in its substance, and in its value, it can be kept for any length of time, necessary to suit the purpose of the robber, or to escape the search of the owner. Admitted as the medium of exchange, it is equally honored in the hands of the robber, as in the hands of its rightful owner.

But how far so ever the qualities in question might have concurred to render specie a sufficient medium of exchange in the earlier and the ruder periods of society, it must be admitted, that as mankind advanced in civilization and science, as the arts and manufactures made more considerable progress, and as trade and commerce extended themselves, other qualities would become necessary to meet the increased consumption of commodity, the increased expenditure and the increased intercourse with distant parts. Hence it becomes necessary again to ask, "what is the proper use of money, and what are the extent and limits of its utility?" Its proper use certainly is to effect and to facilitate the exchanges of society. The occasion for its existence arises from the division of labor. Where a person, who, being the owner of a commodity which is not destined for his own consumption, but to be exchanged for others necessary to supply that consumption, meets with one who is willing to take it off his hands, but has nothing to give him in exchange, which it will suit the seller to take, the custom of society has provided money as a substitute for commodity. It provides that the seller shall receive the

value of his goods in money, which money shall, till he meets with what he wants to purchase, remain in his hands as that substitute, or representative, invested, by common consent, with the quality of a circulating medium, and the power of commanding the purchase of any thing, which the market offers, subject to the condition of its being, in like manner, transmitted to the next seller, there to serve again as the document or evidence of property, to answer the like purpose to him in his turn. This is its legitimate, its really useful office. In the performance of this duty it answers all the good purposes to society of which it is capable. But even here it is not free from objection. The existence of money in any shape, holds out temptations to the dishonest, and also subjects its owner to the liability of losing it by any accident. It is liable to every objection which has been before mentioned.

But, when its use has once been introduced and remains imperative on society, it is difficult, perhaps impossible, for even legislative measures to restrain it within its due province. The difficulty of obtaining any particular commodity in exchange for that which a person has to dispose of, and the facility of obtaining it by means of an established medium, will give to this circulating medium, a value, in common estimation, superior to that of any commodity which is nominally of the same amount. Such an estimation, or in other words, this public opinion, whether correct or incorrect, will govern the action of society and force a general conformity. Hence money, instead of remaining a subordinate, will become a superior species of commodity. Hence follow great social and political evils. A payment in money is inferred as the condition of all contracts on credit, and indeed of all others not especially determined to the

contrary. It becomes a marketable commodity, the value of which depends, like that of other commodities, on the relative proportion of supply and demand. Other commodities almost cease to circulate, except by its means. It is locked up or it is applied to various speculations and investments, which, operating, not by production, but by abstraction, draw to themselves an immensity of wealth, at the expense of industry, and become settled as permanent burdens on a nation.

Whatever is adopted as the medium of exchange should be free from these objections. It should be of a nature calculated to facilitate that exchange, and should exist in a quantity sufficient to effect it as soon as desirable. — It should be co-existent in time and place with such property as is destined for the market. It should be sufficiently abundant, and easy of acquirementto answer all its legitimate purposes, and sufficiently scarce and difficult of acquirement to confine its use within those limits. If it be not sufficiently abundant for the first of these two objects, it must, by the condition to which it subjects society, the condition of buying and selling by a medium, which is not supplied in a necessary quantity, retard, instead of facilitate, exchanges. If it be not confined within those limits, society will suffer by the injurious speculations, and monopolies of moneyed people, who will abstract the public wealth at the public expense, without contributing to the public production.

Among the evils brought on society by the use of money those which shew its demoralizing influence, are of no trifling nature. Of an appearance, fascinating to every human creature, from his early infancy; though the representative only of property; yet formed of matter, which in the pre-

sent state of its estimation, carries that property within itself; of a bulk and quality convenient for removal, traced with difficulty in its progress through different hands, so much so, that its owner is frequently ignorant from whom he has received it, and after it has some time passed from him, equally ignorant to whom he has passed it, its very existence affords facility to the plunderer, and its value presents to him an irresistable temptation. It feeds and promotes injustice, avarice, violence; it calls forth the bad passions, it arms the midnight robber and the infester of the public highways, against the peaceable citizen and the unwary traveller. It drives to deeds of desparation and to murder. If we examine the black catalogue of human crimes, which occupy the attention of our criminal courts, the deeds of injustice, robbery, forgery, murder, we shall find a very great portion of them to have been induced by, and even attributable to the facilities and temptations afforded by the existence, the convenience and the value of money. To follow up this part of our subject is the business of the moralist; but it is to the commercial world that I now address myself, and it is therefore to those matters that relate more particularly to commercial affairs, that I wish to proceed.

Against the introduction of money as a circulating medium, it may be also urged, that when once introduced, and rendered operative, an artificial necessity is created which becomes imperative upon mankind, which forms an obstacle to, or at least lays a burden on human improvement, operating much to retard the objects and prosperity of labor, not only in the early stages of the social progress, but in those which are more advanced; that the purchase of the precious metals, necessary for this purpose, is a heavy

cost on society, that even when this burden is surmounted it still goes far to absorb a great portion of the first, or at least, its early earnings, that it is attended by no adequate benefit, and is to a great extent unnecessary, inasmuch as the benefit to be derived from it, may be attained without its expence.

The cost of specie to a community must always be equal to that amount of it, which is in circulation. Every community, before it can obtain it, must, besides producing so much commodity as is necessary for its own consumption, produce such a surplus as is necessary to puschase this specie. The same rule which holds good against a community, holds good also against every individual member.—Each one must, besides supplying himself with whatever commodity is necessary to satisfy his own wants, furnish also his quota towards supplying the community with its specie capital.

Next to the cost of purchasing is that of maintaining the currency, this is always at least, equal to the interest of the sum in circulation, as well as of that which is kept up in the coffers of the government, and those of Bankers and Merchants, destined either for general or occasional circulation, or to meet the calls of exigencies. Where recourse is had to a system of Bank-note circulation, it will also include the interest on the amount of such circulation, the cautionary trouble and expenses for its custody, and the amount of occasional losses and deficiencies.

These expences will divide themselves among the individuals in proportion as each one contributes to the expences of government in the shape of taxes, and to that portion of the direct burden which he bears in interest for any sum of money, which, from time to time, he retains in

his possession. To this must be added, what has been termed seigniorage or expences of coinage, and something more must be added for the wear of the metal.

In the early stages of a community, before capital has accumulated, the task of providing such a circulating medium is attended with much difficulty, inconvenience, and privation. A great portion of its first productions must of necessity, be thus absorbed, and its further progress very materially cramped. Although the community may still prosper, yet its prosperity will proceed with much less rapidity. Each point in its progress will be reached at a still later period and with more difficulty and exertion, than if it had substituted a medium for its exchanges, unattended with such sacrifices. In proportion to the difficulties sustained by the community will be that sustained by every individual, those persons only excepted, who contrive to profit by the general disadvantage.

From a quality which is necessary in this circulating medium, namely its portability, or its being light and contained in a small compass, it becomes especially liable to be lost. This is a risk which lies heavily on the owner and requires his constant care; a risk, under which no degree of vigilance, is sufficient to guard him from occasional loss. Every one is aware of this necessity, makes it a point of his care, and has a settled manner of doing it; yet so numerous are the dangers, that there are many that suffer to a considerable extent, and perhaps none but what are losers to a greater or less degree.

There is also the liability of having it stolen, sometimes from the person, by open violence, sometimes, and much more frequently, by private pilfering.

The practice of counterfeiting too, has rendered necessary

a considerable degree of caution.—About twenty years ago of the specie circulating in England for silver coin, nine pieces out of ten, were of base metal. Such may at any time be the case with the specie of any country.

Another objection against specie, as a circulating medium, is its unfitness for commercial remittance. Composed of the precious metals, generally discoverable through the case which envelopes it, and carrying its value into the hands of all employed in removing it, it becomes consigned to their discretion, and presents a bait, in many instances too seductive for their honesty. Hence the advantage of making such payments by transfer in account, though frequently by indirect and circuitous routes, and by means of paper money, is appreciated and adopted.

A circulating medium, once established, the necessity of conforming to it becomes imperative on every one. All who have commodity to sell will endeavor to obtain money in exchange for it, and all who have money to lay out, will expect to command the purchase of any commodity, which they may be desirous of possessing. Under the favorable impression of the superior value of money, and so long as it lasts money for all intents and purposes, will be equally valuable and more desirable than any other commodity.

Still it may be the part of wisdom and of foresight to inquire, upon what does this favorable impression rest? Is it on a truth of a permanent nature? Is it founded on a solid basis? Will it bear examination? Is there no possibility, or even a well founded probability, that the quantity of the precious metals used for the purpose of a circulating medium, may be much reduced, or that their use may be in a great measure dispensed with? Can the possession of specie convey to its present or future owners, any conditions of such a nature,

as to secure to them, at all future times, and under all possible circumstances, the full possession of that value which is now attached to it?

The answer to these questions is very important, even now, in theory, and the time may come, when they may be presented in practice. When it is considered that there are millions who are really and greatly injured by the circulating medium, and who, if they were sufficiently aware of its effects, would use their mighty influence against it, these questions will assume, a far greater degree of importance than they seem now to wear.

In the minds of the vulgar the value of money consists in the value of the specie itself, that is in the value of the metal of which it is composed. This idea, as far as it relates to coin of the lower order, such as copper, is to a certain degree, correct. The utility of this metal for the common purposes of life is such, as to insure to its possesor, at all times, or at least generally, a value as the price of a commodity, something like that at which it circulates as a coin. But this is not the case altogether in the more precious metals. The high prices which gold and silver command, arise, much more from the degree of estimation in which they are held, than from their real utility. This estimation depends partly on their beauty, but much more on their scarcity. These are the qualities, for which rich people esteem them, and it is for the sake of making a show of what others cannot possess, that such people desire to have them. Whatever therefore comes in competition with that beauty, or diminishes that scarcity, may operate to reduce the price of them. Many mixtures have been discovered, which have an appearance to the eye competing, in some respects with either silver or gold. How far their scarcity may be affected

is impossible, at present, to say. What is contained in the yet unexplored bowels of the earth, no one can tell; and yet, to ensure a continuance of the present value of gold and silver, requires not only a full knowledge of these circumstances, but an assurance that nothing shall hereafter be discovered to reduce the present scarcity of these metals. Of their present prices, a part is formed by government duty which is, by no means, any portion of their natural price or value. This may hereafter be affected by many possible political or social, as well as by natural circumstances. It has already been observed, that on the discovery of the American mines, and the consequent dispersion of their metals into the different countries of Europe, a great diminution of their price took place; but when we consider how little is yet known of what is lying beneath the surface of the earth, we can have no hesitation in admitting, that far greater changes are within the range of possibility. Nor do we yet know what chemistry may discover in the powers of composition and decomposition.

Money, though credit of a higher order, is still but credit. Its value, even at present, is but relative and contingent, dependent principally upon the power of commanding the purchase of commodity, and of what ever is useful, ornamental or desirable for the purposes of human life; a power, not inherent in its nature, but simply conferred upon it by the common consent of society, secured to it for no period, attaching to it only for the time being; a power which society can withdraw at its pleasure, and which will be withdrawn at no very distant period, unless that withdrawal be prevented by some influence unfavorable to the public good. That it is insufficient for the purpose, for which it has been intro-

duced, is felt by thousands, nay by all the world, and that in every day's practice. Not a day passes but men of actual, of undoubted property, far exceeding in value the amount of their debts, men who have claims upon others exceeding what others have upon them, are distressed for want of money, a mere factitious, a mere intervening medium, which, if obtained to a sufficient extent, for present purposes, simply acts as a mere fiction, a mere formality, whose substantial business may be performed without it. In how many thousand cases does the property of such people dwindle under this influence, till at length it becomes scattered, it ends in ruin?

From what has been advanced, it will, I think be admitted, that the present state of things affords no permanent security to the holders of specie, that those metals shall, at all times, and under all circumstances, command the value that now attaches to them. The holders are not indemnified against loss. They must take their chance with owners of other commodities, but certainly, in the long run, with less prospect of advance in their value, and a greater chance of diminution. In the event of these metals becoming disused as a medium of exchange, either totally or in part, their value must materially diminish. That portion of it, which now is of most utility, will be gone, and all that remain will, or nearly all, will be value in mere estimation, unaided by the demand for it as a medium of exchange, an estimation that must depart, with the departure of its utility. Under these circumstances, and with a possibility, nay, even a well founded probability of a rise in the price of commodity, to be effected by the growing influence of the manufacturing classes, in our own free states, and

and the manifest tendency towards more popular institutions in the older European countries, it will not be a matter of much surprise, if the value of those metals, compared with that of commodity, which, in fact, is the real criterion of value, should fall to an extremely low ebb.

Notwithstanding the real inutility of specie, except inasmuch as it is adopted, so fascinating has it become to mankind, that from being itself but the measure, the representative, or the evidence of property, it has not only usurped its place; but is regarded as a property of a superior kind; while commodity, which is actual property, is reduced to the inferior state, and its value expressed in commercial language, with reference to that quantity only of money, which it will command. But when nature reminds us of our error, when we actually want the commodity for use, we feel its real value, we find ourselves obliged to purchase at any price. Rather than any sudden termination of this delusion, should produce a correspondent sudden explosion, it would be better that it should gradually evaporate. The sooner that evaporation begins, so much the better, the longer will be the time allowed for its dispersion. It is equally desirable, that it be duly foreseen, and met by salutary means, calculated to prevent the otherwise unavoidable evils, which might follow it.

CHAPTER IV.

FURTHER DISADVANTAGES OF SPECIE, ITS INAPTITUDE TO COMMERCIAL BUSINESS.—EFFECTS OF THE USE OF MONEY AS A CRITERION OF VALUE IN MYSTIFYING THE PRICE OF COMMODITY.—TENDENCY OF THE SYSTEM IN RETARDING PUBLIC IMPROVEMENT.—THE IMPRACTICABILITY OF SUPPLYING A COUNTRY WITH A SUFFICIENCY OF SPECIE.—EFFECTS OF A SCARCITY EITHER REAL OR IMAGINARY—A DISPOSITION TO HOARD—CONSEQUENCES OF THESE DISADVANTAGES.—A RESORT TO CREDIT.—RUINOUS EFFECTS OF THIS RESORT.

THE custom of buying and selling every thing for money, and of rating its price by a moneyed standard, has the effect of involving in obscurity the value of commodity in general, and some articles more particularly. The original and the early cost of such things, is so effectually concealed, that they become distributed to consumers, at a rate far beyond the natural expence of production and distribution. This mystery attaches not merely to a few commodities, articles of luxury, but to a great portion of those, which constitute the ordinary expenditure of every family. It impairs their resources, and in many cases, brings poverty, and even distress, where otherwise plenty or at least, a sufficiency would exist.

In answer to this it may be contended, that a high charge is no national or general loss, that in proportion as it takes away wealth from the purchaser in the shape of high price, it brings it to the vender in the shape of high profit, and that after all, it is an equalizing principle; that all, are sellers as well as buyers, and that each one in the high price he receives, is indemnified for the high price which he pays. To say nothing of the injustice, or of the cruelty of the operation of this principle on the lower orders, the most numerous class, who are simply paid for labor, and are thus called upon as buyers of commodity to pay this high price, without participating in it as sellers, if it were really true that it brings to the vender this extraordinary profit, it is evident that it would still be injurious to the community generally, inasmuch as producers and venders of every particular commodity are few, and consumers are many. Money like some other articles, is always the more active and the more valuable in proportion as it is the more distributed. It is on this account that small sums are always worth a higher rate per cent in the way of interest, than larger ones. But it is not true, that the wealth which is thus lost to the community in the shape of high prices, is always gained by the vender in the shape of high profits; for it is a consequence of our competitive system, that in proportion to the high rate of profit in any line of business, will be the number of competitors drawn into that line; and this number of competitors will continue to increase as long as their profits are superior to those of any other line. This will be as long as the high price continues, or if it should not discontinue, till the trade itself becomes divided

among so many, as to yield to each one no more than the ordinary profits.

In such a state of things the community, who are the purchasers, suffer the loss, but have no share in the benefit of the high price. The loss, or what is the same thing, the expence of the high price, falls on all the consumers without any offset; whilst, on the other hand, the sale of the commodity, being much divided, and the profits of each person consequently reduced, it yields, after all, but the ordinary profit to each vender.—The community also suffer, inasmuch as a greater number are occupied in the saleof the commodity, than the natural employment requires, and that greater number are supported by the community by means of higher prices, than would otherwise be necessary.

Nothing, I think, can be more evident, than that the majority of a people are injured by such means.—Many may think themselves gainers by such a system. It is true, some few may be gainers. But most of those who think themselves such, are deceived. If they will take the trouble to calculate how little they are gainers, in the high rate of that single commodity, in whose price they participate, and how largely they are losers by the many in which they are payers, they will generally find the balance against themselves.

The artificial burden, which, it has been stated is laid on society in the introduction of money, and the arbitrary condition of exchanging by its means, operates heavily on society in its early stages. Every one who undertakes to produce any commodity, necessary for the support, or convenience of human life, is required to be previously possessed of this necessary means to a considerable

extent, notwithstanding the paucity of his possessions, and those of his confederates. In the infancy of human society, in the state of colonization, what can fetter the social exertions more effectually than such a condition?

In the nature of things it is evidently required that the power of production, and even the act of production shall precede the possession of property; but by this artificial rule the order of nature is inverted and possession of property is required to precede the capability of production. It is true, that after production has commenced its progress, the possession of necessary materials in the shapes of tools and implements, will facilitate the operation of labor; but the original means must always be supplied gratuitously, or industry could never commence. This artificial condition is that which cramps the exertions of a people, by laying them under arbitrary restraints, in addition to those which are natural.—To express such a condition seems almost a contradiction in terms, and so unsuited is it to human prosperity, that had man, instead of being the principal in the scale of created beings, been but of a secondary class, with this condition imposed upon him by the superior one, his advancement to wealth would have been impossible.

It may be asked, who but man is in existence? Who, or what, among the works of God, can be his superior in nature? In such a case man would be no longer man, that is, lord of the creation, but an inferior, or at most but a secondary being. To this I answer, if there be any portion of mankind capable of separating the rest of their species, from themselves? Or what in effect would be the same thing, of separating themselves from the rest of their species, retaining all the good things of na-

ture to their own shares, it would matter but little, if any thing, to the portion deprived, whether those depriving them were beings of the same, or of a distinct species. Again, if the number composing the favored party, were an extremely small number, as compared with the rest—as the favored portion of the aristocracy of every country is, the designation, man, or mankind, ought, more properly, to belong to the many.—

In the process of human action, labor is the element, which acting upon the materials of nature itself, is destined to furnish human creatures, with whatever is fitted by the Creator to supply the wants, the comforts and the luxuries of life. The first portion of this labor must furnish the working tools, implements and utensils necessary for use.—The second must apply all those things to their proper purposes. Money, it is true, is the artificial medium by which for want of better means, these things have been usually transferred from the hands that make them, to those who use them. That medium of exchange having been established, having worn itself into the settled custom of society, is to a high degree, binding upon every member of the community, not from any natural necessity, which such a thing only can supply, but from the overwhelming force of imperious custom, growing out of the want of better knowledge. Real payment in all exchanges, is labor for labor, or what is the same thing, the obtaining of the production or commodity, which a man requires for his own use, in exchange for that surplus portion of his own, which, in the prosecution of his professional industry, he has produced for the service of the community. Commodity is what every one wants. Com-

modity is what he must consume. When he exchanges the productions of his industry for the commodity he wants, he makes a real exchange: when he sells them for money, he makes but half the exchange, the other half is effected when he exchanges that money for commodity, and in proportion to his cunning, he delivers or he receives a surplus value without or beyond an equivalent.

The real wealth of a community lies in its power of production, and a principal circumstance in this power, is the fertility of the soil. The necessity of being provided with money, for the payment of labor before it can be called forth, or set in motion, and the correspondent necessity on the part of the laborer to remain inactive, till money is ready to pay him for his labor, are serious evils on a people. When a community possesses the ordinary products of industry in the shape of commodity, it possesses the power of setting in motion, any extent of labor that the market furnishes.

If specie be admitted as a circulating medium, and this medium be the means, by which it is intended that the necessary exchanges of society shall be made, the natural extent to which it will be required, is that at which every quantity of goods sold under contract for money, can be liquidated so as never to pass to an account of credit. The very circumstance of credit is an admission of the want of money, of a deficiency of its power in serving the necessities of a community, and a want of it where it ought to exist. A society that depends on specie as a circulating medium, ought therefore to be in possession of the precious metals, to an extent sufficient to supply this demand. In default of it, it must issue paper for the deficiency, or it must submit to a system of

credit, that is trust, thereby introducing those numerous and ruinous contingencies and evils, which follow in its train, of which I shall speak hereafter.

But the admission of paper money, is itself an admission of credit, and consequently an admission of the evils which follow from it. The difference between this credit, and that which is of a general nature, is, that the issuers of paper money, being principally bankers, possess a higher degree of credit, and so long as they make their payments, make them with more punctuality. To supply a country with a sufficiency of specie to enable the whole body of the people to purchase, on all occasions, for immediate payment, has never yet been found practicable; consequently, where a necessity of payment in specie prevails, it is impossible to conduct the affairs of a society without introducing a system of credit, and with this system enters the whole list of commercial evils, among which are ignorance, to whom credit is due, a great sacrifice of time and expence in the collection of debts, uncertainty of collecting them in due time—disappointment therein—derangement of plan—litigation—bad debts—insolvency, law-expences, and final ruin.—From such a state of things naturally follow, a general want of confidence, a depressed state of trade and commerce, an inferior degree of public welfare, and a great portion of moral and physical suffering.

The amount of specie that a community requires for the purpose of effecting its necessary exchanges, will differ in every community. It will depend upon its wealth, its trade and its population, and the general intercourse and manner of business prevalent among its inhabitants. But in no community will it be stationary. In proper-

tion to the increase of its wealth, trade and population, will be required, a correspondent increase in the amount of specie by which its increased exchanges must be effected.

Whatever may be the deficiency of quantity in the circulating medium, that deficiency will be always increased by a disposition to hoard.—Such a disposition frequently exists from other causes, but when a scarcity is felt or dreaded, let the fear be well or ill founded, every one endeavors to provide and to reserve much more than he otherwise would require, consequently the fear of scarcity is sufficient to produce it, as well as to increase it where it previously exists. Such a disposition increases with every increased degree of scarcity. Like a panic, it acts by extremes, constantly adding to its reality, by imaginary alarms, and increasing the evil from which it endeavors to escape.

But under a system of exchange by the medium of money, where a custom of credit has been introduced in consequence of an insufficient supply of specie, and where money is also the means of liquidating pre-existing debts, there are additional causes for keeping considerable sums out of circulation. The want of specie capital, and the value of it, is so felt in trade, that each one endeavors, not only to make the best use of what he has, but to enlarge its effects by taking credit beyond it, and to keep that credit as long and to as great an amount as is prudent. In order to delay his payments as long as possible, and yet to maintain his reputation, he must keep by him much larger sums, than would be necessary for a system of general prompt payment, in order to answer the most pressing contingent demands. Not knowing till those demands

are actually made, which of them may first appear, or which may be pressed most urgently on his attention, he is obliged to keep so much in hand, as to be prepared for any of them; and indeed for all in succession. Although the sums of money which he must keep by him for such purposes, will always be less than the amount of the debts which he owes; yet it is clear they must be in proportion to them.

The consequence however of the impracticability of supplying a community with a sufficiency of specie, where money is required, must be a resort to credit. Experience has shewn that in the prosecution of business upon a system of credit, no general rule can be laid down capable of distinguishing with certainty, who is worthy of credit, and who is not, that no degree of vigilance, no caution is sufficient to secure to the trader the return, in due time, of that portion of his capital which consists of book debts, nor to protect him against the occassional total loss of some part of it. Hence, it is evident that the system of credit is the fundamental evil of trade. I call it fundamental because it is in a great measure, the cause of almost all commercial evils. In its train follow, commercial frauds, irregular, and ruinous expences, for payloss of time, expensive, fruitless, and repeated applications ments, litigations, losses, compositions, bad debts, expensive accommodation loans, lawsuits, insolvency, bankruptcy and final ruin.

CHAPTER V.

FURTHER RESORT UNDER THE DIFFICULTIES BEFORE ALLUDED TO, NAMELY, TO PAPER-MONEY OR BANK-NOTES—LIMITED EXTENT OF THIS RELIEF—CONTINUANCE OF FORMER EVILS WITH THE ADDITION OF FRESH ONES—EFFECTS OF THE PAPER-SYSTEM IN WITHDRAWING A PORTION OF COMMUNITY INTO UNPRODUCTIVE PURSUITS—IN FORMING A MONEYED ARISTOCRACY—WHO SHARE IN THE PUBLIC PRODUCTIONS—CONTROL THE CIRCULATION—OBTAIN A PERNICIOUS INFLUENCE OVER OUR CIVIL AND POLITICAL RIGHTS AND INSTITUTIONS—PERVERT THE TRUE PRINCIPLES OF GOVERNMENT, AND BECOME A PERMANENT BURDEN ON SOCIETY.

NUMEROUS are the subterfuges to which recourse has been had in the dilemmas arising from the insufficiency of specie. The principal of these is the resort top aper-money in the shape of Bank-notes.—By their means the circulating medium has been much increased in quantity, the deficiency of specie has been to a certain degree relieved, and further facilities for the prosecution of trade and commerce, have been afforded. Indeed it is difficult to perceive, how, without their assistance, they could in the present state of opinion with respect to money, have been conducted to their existing greatness.

But these conveniences have not existed without their accompanying evils. Experience in banking business has shewn that the accommodation, which by its means can be rendered to society, is of a very limited extent. This extent is determined, not by the real wants of a community the only true measure, the only criterion of its utility; but by the quantity or amount of paper, which the banker finds it practicable to put out and to keep out, consistently with his own advantage. He cannot be expected to do otherwise. He, like every other member of society, has an individual interest to attend to, and that interest deserves his first, his principal attention. If it were otherwise, if the public good were promoted by the disadvantage of the banker, that banker would not long be in a condition to serve the public, who neglected to serve himself. The aggregate of national income too, is made up by the various items of individual income. It is true however, the power of checking some evils into which banking-companies may run, rests with the government of every country; but it is also true that the privilege of banking, being of a kind with the power of making money, or rather of creating it, is a power that cannot be lodged in any individual, or in any company, without great danger: indeed we may say, certain injury to the social rights of every other member of the community. A money system may be so conducted, as not only to increase wants, instead of supplying them; but even to create such as never existed before. In a new country, where a great portion of its lands are unappropriated, such a privilege is far more dangerous than in old ones. The power of making money, where lands are offered for sale, confers a power of purchasing and of monopolizing them, to an immense extent. By

the monopoly of the land, future generations are laid under permanent burdens. Land is the parent of all productions, and as it increases in value, it raises the price of commodity, to the prejudice of the emoluments of industry, which are necessarily diminished by every increase of the share allotted to the landholder.

Where money, diverted from its simple and legitimate purpose, that of serving for the exchange of commodity, becomes the means of speculation, and enters a market regulated by the effects of supply and demand, every increased quantity necessarily increases the price of commodity: this increase of price again requires an increase in the capital by which it is worked, that increase is in fact a diminution of the power of any given amount of capital; and this diminution of power, requires to be again supplied by a farther increased quantity. Thus does the increased quantity of money, operating in a perpetual circle, continually require a further increase of itself till in the enormous wealth of a few, it meets with a physical impossibility of further procedure in the extreme poverty of the multitude.—Such is the crisis at which this system, composed of the united influence of a landed aristocracy, and the workings of the money interest, has arrived in England, and at which it appears to stagnate to the permanent degradation, of those numerous classes, dependent on the profits of honest industry.—

But the resort to paper-money tends but little, if any thing, to the relief to a community laboring under a want of sufficient specie, and at the same time equally in want of all other just principles for the division and circulation of its productions. Some additional means

of exchange are introduced; but from the caution necessary in banking business far below that extent, which is sufficient to supply the wants of the community. Perhaps these additional means may be so far correspondent to the growth of demand in the country, as to leave its relation to supply something like what it was before. The necessity of giving credit, and that credit generally without security, will grow with the growth of trade in every community. Bankers will be found to be not only giving credit, but actually taking it to a greater extent, and their occasional failure, in some countries, will add much to private losses, and public difficulties. In addition to former evils namely, those of specie, which will be found to be still continuing, society will have to contend with fresh ones, from the possible failure of banking companies, and from the danger of forgery.—

The transactions of bankers are confined principally to the upper classes, of merchants and traders. The money which thus passes into these hands, is principally applied to speculative purposes, advantageous, perhaps to those individuals, if their speculations answer; but disadvantageous, generally, to a community, whether they answer or whether they fail. If they answer they generally end in a monopoly of trade, great or small, and consequently high prices of commodity. If they fail, the losses fall on the community. With the more numerous classes of manufacturers, or artisans on a smaller scale, to whom the granting of moderate loans, would be more beneficial, not only to the individuals served, but to the community generally, bankers find an account too trivial and too troublesome. By such means, many are ruined by the

want of accommodation, and on the other hand, many from receiving it improvidently.

The extent to which any man is worthy of credit, is that at which all claims that stand against him are certain of being paid, when due or called for. To ascertain, at all times, this extent, requires more knowledge of the circumstances of the debtor, more calculation, judgment and penetration, than ordinarily falls to the lot of any man.—Hence, for the sake of safety, it is found necessary to keep far out of danger.—Under the operation of the money system, many an upright man, who is really substantial, as far as his dealings go, and might, to that extent, be safely intrusted, is refused, and he becomes a sufferer. This is a wide spreading evil, for, in proportion to the checks put upon his credit, his industry also is checked, his power of production curtailed, the power of purchasing and consuming a greater portion of the produce of the industry of his neighbor is diminished, that portion of the demand for the productions of others, which is thus lessened in his individual case, is, by similar means, equally lessened in the persons of all others who are similarly checked, and the public market for all commodities, and for the encouragement of the industry of the whole community, is so far distroyed as is equal to the deficiency of this one person, multiplied by the number of those who are similarly affected; or by the proportion which the deficiency thus created in this individual, bears to what would be his own income, if his industry were subjected to no such check.

Still, however, under the influence of our money-system, this degree of caution can be neither blamed nor

prevented. Without it, business would be the high road to ruin. With it, it is far from being safe. The utmost degree of caution, practicable in business, upon a system of credit, has never enabled a commercial company or individual, to proceed for any long time without incurring bad debts.

The money-system, including that of banking, has the effect of withdrawing a considerable portion of the community, from pursuit, of a productive nature, to those which are unproductive. Hence, society loses all that portion of useful industry, or of useful and beneficial commodity which would be brought forth, if the same parties were more usefully employed. These people, like others, must, of course, live by their occupations, and the expence of that living must fall upon society. They must be allowed a sufficient share of all those useful commodites, which are brought forth by the productive classes, and which are necessary for their support. This share they will obtain in the terms on which they perform their services and grant their accommodations to those who want them. The nature of money is such, that all who can grant accommodations, or act as agents in respect to them, must be liberally paid for their services. This share therefore will be considerable. In the supposition that such accommodations are absolutely necessary and necessarily performed in the way they now are, for the carrying on of business, nothing is more reasonable, than that it will be willingly allowed; but in contrary supposition, namely, that the use of money can be dispensed with, either totally, or to avery great extent it must be an unnecessary burden on society.

But this burden is not the whole of the evil, indeed it forms but a small part of it. Moneyed men, in addition to their natural and legal charges, obtain an undue influence in the public affairs, which is not always exercised for the best of purposes. They form a moneyed aristocracy, whose object it is to live upon the productive portion of the public. Under the mere pretence of contributing to the public good by furnishing money, they draw to themselves a portion, and in fact a very large portion of commodity, the real wealth of a country, which can be furnished to them by no other means, than by diminishing the share of every producer, and consequently the rate of all wages, and the remunerating income of every industrious well employed person in the community.

As money is no natural agent in the production of wealth, so neither can the value of its use be determined by any natural measure.—This value, therefore, always depends upon artificial and consequently variable circumstances, first fabricated in the political forge of aristocracy; in their progress so managed, as ultimately to obtain so much as is found to be practicable, in the general state of public knowledge, of political and social influence, and among the various elements, which at any time compose their competitive opponents.

In order to give artificial importance to money, to render it the most necessary commodity, if so it may be called, in social use, these people contrive to govern and control its circulation. The influence they acquire in society, they make use of for the purpose of obtaining political influence: by means of this political influence they obtain the control of the government, they undermine the

civil and political rights and institutions of society, to which they communicate a prevalent tendency to aristocracy. Gradually they impress upon the minds of the people, a notion, that they are a separate order from the rest of mankind, they pervert every form of human government, mystify its true principles, and ultimately quarter themselves on the community as permanent burdens, as fundholders, as officeholders, as sinecurists, or as the performers of services, the necessity for which is either little required or totally pretended.

The same means which bring about this state of things, are also necessary to maintain it. The same abuses will continue, they will grow, till their artificial origin becomes enveloped in mystery, or forgotten, till custom has given them the appearance of natural things, till ultimately, it becomes a question with the governers, how much can be practically taken away from the governed, that is, how much privation they can bear, without being reduced farther than the lowest state of indigence capable of supporting existence.

Such is already the condition of one of the parties to that political struggle, now going on in the British European dominions; a struggle, with these people, not altogether for political liberty, but in a great measure for social or even physical existence, for an emancipation from a state of civil degradation and absolute want brought about, not singly by the moneyed portion of the British aristocracy, but by the united strength of the whole aristocratical interest. Though by the collective body, this state of positive suffering be brought about, yet the conflict of its contending elements will serve the cause of emancipation, whenever it takes place, or

in the early stages of its approximation. In this conflict the moneyed portion will be disposed to take part with the people, with whom it is more in sympathy, and on whom it is more dependent, than is its formidable rival, the landed portion of that aristocracy; which latter, possessed of a property of a different kind, than that of the people, as well as of a constant and never failing majority in the government, a property favored by all political constitutions, and secured by most of them, has no such sympathy, feels itself totally independent of the people, and assumes to itself a condition, if possible, more than human.

Possessed of a monopoly of the land, and commanding and controling all the productions of nature, and superadded to these the mighty advantage of a monopoly of the government, and the power of drawing to itself by means of commercial regulations and prohibitions, the whole wealth of a country, it can at its pleasure, roduce a people to any state of poverty required. It can bring down into its own hands, all the benefits arising from the power of production, in any given or supposed state of its existence, or in any possibly or imaginably increased state. It can approach as near to omnipotence, in inflicting injury on society, as any human power can possibly be organized to do so.

Let it not however be concluded, that a moneyed aristocracy, because it may occassionally make common cause with the people, against its more powerful rival; or rather, because, with deceitful arts it courts their assistance to fight its own battles, that it is, on this account, more favorable to the people. No such thing. A moneyed aristocracy, where it obtains an ascendency, can

easily transform itself into a landed aristocracy, whenever the favorable and advantageous time arrives. It is only when it is the weaker party that it courts the assistance of the people against its stronger foe. But, like a portion of the Jews, when beseiged by the Romans, no sooner will they have driven off the enemy against which they were then united, than they will turn their arms against their old confederates; no sooner will they have become the stronger party within their own dominions, than they will return to the spirit and practice of aristocracy in all its hideous forms.

CHAPTER VI.

CONSIDERATIONS ARISING FROM THE FOREGOING OBSERVATIONS.

It has now been shown, that money, whether in the shape of the precious metals in their coined state, or in that of paper as referring to them does not sufficiently answer the commercial purposes for which it was intended. On the other hand, it has also been shown, that it is the fruitful parent of immorality, and of political corruption. Why, it may perhaps be asked, was money introduced? To this it must be answered, that although neither its existence, nor its use, is favorable, either to morality, to political purity, or to social prosperity; yet it has rendered to mankind benefits of no trifling nature. By its agency the inconvenience of barter has been removed, exchanges have been effected to the great benefit, and even the improvement of the human condition, and commerce has attained to its present greatness. Still its introduction was owing to the want of better knowledge, to the ignorance of society at that period. It was adopted, because its utility, however limited, and even accompained with much evil, rendered it the most eligible material to perform the required service, then known. Through the earlier, and certainly, the longer portion of this period, the generality of men have been unacquain-

ted with the art of writing, and incapable of keeping any correct account, to a sufficient extent to supersede it. They thought not of any system of exchange, beyond that of simple barter, or the more ingenious device of holding in return for their commodity, something tangible, material, and in their opinion of equal value with that which they had delivered. How this idea of *real* value could be derived from a value resting simply on estimation and common consent, how it could thus operate on the minds of a thinking people, how it could satisfy them to the extent which it has done, might be considered as matter of surprise, if we could overlook that dependence, with which men generally rest on established customs, and the very great pecuniary advantages that by some parties have been derived from it.

In the earlier period of its progress, it was probably promoted by a childish fondness for a glittering toy, an article, fascinating first the young, the ignorant, and the inexperienced mind; afterwards, being found to operate usefully as the means, and at this period, certainly, the best means, of effecting the exchange of commodity, men esteemed it; and finding that it possessed, in an eminent degree, the qualities necessary to form a medium of general exchange, that what was wanting in real value, was, for the time being, at least, supplied by public estimation, that its scarcity afforded what was then thought a reasonable security against such an influx of it as might be prejudicial to the holders, they received it for that purpose, and it became universally adopted.

At that time it was, no doubt, thought that its scarcity would ever preserve its estimation and its value; and though its deficiencies, were probably always felt in

practice; yet as there appeared no remedy for them, beyond what has been attempted in the introduction of paper-money, no other method was sought after. It is not, however, reasonable, to expect, that in the growing state of knowledge, trade and population, the future intercourse of society should be confined to that limited extent, or subjected to the difficulties and losses, which must ever accompany a system of exchange effected by means of money, whether in specie or in banknotes.

That the use of money, with all its disadvantages, has rendered important benefits to society, is however a position too obvious to be denied; but when, in the progress of human improvements, a better medium appears, a method, which will secure all its advantages, and avoid its defects, the necessity for its continuance no longer exists.

When society shall have discarded so much of its use as is found to be injurious, and unnecessary in practice, it may then look back on the circumstances of past time, and ask with astonishment, what was this money, that so fascinated our forefathers? Was it a commodity, which answered any natural purpose to human life? Could it by any means, perform or abridge the human labor necessary to produce commodity? Could it afford any natural assistance in bringing it into existence? Certainly not. What then could it do? It served the purpose of a counter, a mere conveyer of credit and claim, in the business of exchange, a purpose that can be much more effectually answered by pen, ink and paper, in the shape of an account current.

It was for this purpose that the possession of money was rendered a necessary qualification, a universal con-

dition for exchange.—For this purpose, society was subjected to all the evils that grow out of a system of money and of credit.

From the custom of expressing the value of commodity in money, of buying and selling by that standard, and of keeping accounts in the denominations of the moneys of each country, law has been led to enforce payment of all debts in money. To enquire at large into the merits of such a practice, is not within the objects of the present work. But if we divest ourselves of that prejudice, in this respect, which grows up with long habit, it will appear extraordinary that the legislature of a country should compel the payment of a debt, in so artificial, so arbitrary a thing. That it should require value for value is perfectly reasonable; but to require payment in an article, which it is known, that the debtor is not generally possessed of, the want of such possession being often the actual, though not the legal cause of action; to enforce such payments by legal process, though an established rule, is nevertheless a measure, not founded in the nature of things, nor in any necessity of trade, nor in any principle of justice, nor does it, even in the present circumstances of society, operate to the public good. Upon the whole, it is injurious to both, creditor and debtor.

Where the goods of a debtor are sold to satisfy in full the single demand of one creditor, that creditor, when paid, receives but the simple amount of his debt. In this case, while the creditor is no gainer by the process, the debtor is the loser to a considerable amount, and unless circumstances justify the contrary conclusion, is an innocent sufferer. In the amount of that loss will

be included, the legal process, the expence of sale, the loss attending it in point of value, and a number of fees to different officers.

Where they are sold under bankruptcy or insolvency for the benefit of a whole body of creditors, the operation is still more unfavorable, and the share of each creditor is diminished in proportion to the whole expence. Not unfrequently the whole amount is eaten up in the formality of its legal passage, from the hands of the debtor to those of his creditors.—These creditors are thus deprived of the whole property they possessed in the estate, and the debtor has the mortification of seeing it dissipated in idle expences, instead of being passed to its just owners, in the discharge of whose claims he may yet feel a moral and conscientious, as well as a legal obligations.

If we lay aside the expectations, arising from the law and the existing custom, we shall find, that though the bill or account of the creditor, when satisfactorily proved, is evidence of the account of his claim; yet it is no evidence of the kind of commodity or money in which it is payable, except it shew an especial contract for such things, or except such things be found among the assets of the debtor. The creditor might be allowed his choice out of the goods of the debtor, exepting always such as the law excepts, from a humane consideration of his distressed circumstances. Where the conditions of a contract are proved to require a payment in money, there, it is just it should be so made; but that such a thing should be always presumed as a rule for the formation of a law, and for the course of a legal process, is a measure of, at best, but doubtful policy.

Money has a peculiar property in infatuating the minds of all those who have not discrimination sufficient to discern its unsubstantial nature; and such is the overwhelming influence of public opinion and general action, that even those who possess such discrimination, are forcibly led by the stream to adopt the same line of action as their more ignorant neighbors. The general infatuation in this respect, is by no means comformable to the progress of knowledge in others. Perhaps the less permanently it is grounded in reason, the more easily may it be ultimately removed. Should a determination, either universal or to a great local extent, to refuse money in exchange for commodity, take place, although it might, as an article of merchandise, retain something like its original value, for some time, yet it must gradually and ultimately sink in estimation, and consequently in value. However distant such a determination may at present appear, and how different soever from the practice and opinions of the present day, it is by no means impossible, nay it is not improbable, that in some countries, in the struggles between the aristocratical and some of the industrious classes, such a plan, and that at no great distance of time may be adopted.

Those evils already pointed out, under which society labors, may be divided into three classes, namely, *moral, commercial and political.*

Under the class of moral evils are all those acts of dishonesty, robbery, fraud, personal violence, and even murder, which have for their object the attainment of money, where it is known or judged to be in existence, whether in keeping or passing, and where it holds out to the dishonest, a bait more alluring, more practicable, more pro-

fitable, and more certain of success, than is held out in the nature of ordinary commodity.

Under that of commercial evils are all those which serve to retard commercial prosperity and public improvement, those which exist in the nature and character of money, those which are brought about by the expence of purchasing and maintaining the circulating medium, by the interest thereof and the great enhancement of the price of commodity, which is charged with this interest through every stage of its progress, from the raw material, to that in which it comes into the hands of the consumer; those which arise from the necessity of adopting a credit system, from the difficulty, expences, and sometimes impracticability of obtaining pecuniary returns, in due time to meet the engagements of business; from the many instances in which it cannot be obtained at all; from the checks and drawbacks of profit, which those disadvantages impose on trade, even where they fail to ruin; from systematic fraud, practiced by means of deceitful bills of exchange, and false appearances of property, and by the consequent losses, embarrassment and ruin which follow them.

Political evils are all those by which moneyed men obtain an undue influence in the affairs of society, and use it for improper political purposes. The power of money, of which they are the holders, and in which they are the dealers, affords them great facilities in this respect. Whatever portion of it is vested in land or buildings, is expected not only to yield to its owner a profitable return in the shape of rent, but also the votes and influence of the tenants. The same kind of benefit is expected from those who are accommodated with loans and discounts, or

upon whom is expended any considerable portion of income over and above sufficient securities, and remuneration in the charges made for those accommodations, furnished for the money laid out on them.

This is but the first stage of political bribery. As the connexion proceeds, it not only strengthens, but assumes a more digested form.—As the parties become connected in their social concerns, and accustomed to act with each other, dependence and servility, grow up on one side, and a certain degree of apparently favorable, social influence is returned from the other. Whether the favors received are equivalent to the servilities paid for them; or for the privations sustained by the dependent class, is neither within the power, nor often within the inclination of that class to investigate; and if they had the ability, the influence of property is such, as to render the investigation useless, whatever results it might lead to. They begin to think, and to feel themselves linked together by a union of interests. They easily persuade themselves, that the representative government in which they are striving to obtain a preference, is simply a representation of the *interests*, of society, not a plan for securing the greatest possible share of wisdom and integrity in its legislative body, and that the party that can secure the majority has a right to legislate for those interests which best suit themselves; thus they surrender that principle of justice, which is the only fair principle for the action of government, the only safeguard against every species of oppression or legalized fraud.—Thus engaged, they overlook entirely all the measures, which ought more particularly to engage the attention of every government, namely those which operate to defend the

rights of the many, from the overbearing oppression of an influential few. They look only to some particular question existing between one party and another, agitated by popular clamor, and frequently of but little consequence to the multitude, in preference to others of greater interest. Whatever is the share of benefit which the poorer classes in these cases, receive from the government under which they live, comes to them in a kind of second hand manner, after its more substantial benefits have been bestowed on the rich at their expence. Ignorant of the general tendencies of legislative measures, they are contented to receive a delusive shadow, sufficient to reconcile them to their lot, to raise hopes which exist only to be baffled, or, at best, to enable them, simply to supply the necessitous wants of their dependent state, a state in which the whole value of their productive power, instead of remaining in the hands of those, who are its natural owners, passes, by political legerdemain, into the pockets of an aristocracy.

All these evils are evidently the effect of the prevailing system of exhange by money. This system first calls money into existence, and this existence gives rise to all those moral evils, for which it affords the temptation and the facility. This same system by subjecting every one to the condition of paying in money, creates a dependence on money. The dependence on money, under circumstances in which money is not at hand to enable purchasers to pay, at the time of purchase, for the goods they buy, naturally induces the condition of paying at a future time and consequently introduces credit. Thus the existence of money, and that of its consequent evil, credit are the causes of them all.

Hence it would appear that if this dependence on money could be removed, the whole of the evils would be removed with it. Here it will perhaps be said, that if the use of money be dispensed with, society must return to all the inconveniences of barter. This however is not the case. Society may be benefited by discarding the use of money for some purposes, and by retaining it for others. A method of exchange may be devised, which, while it possesses the advantages of both systems, may be free from the inconveniences of either.

It is, I think, evident, that neither specie, nor paper-money can sufficiently answer the purpose of a circulating medium, in the present state of trade and commerce; that specie is attended, in the first instance, with a very heavy cost to a community, that the dependence on it lays every one of its members, under an unnatural and unnecessary burden, and subjects them to many and serious disadvantages and losses; that it is by numerous means, liable to be lost, that it may be counterfeited, that it is unsafe for remittance, that its value depends on mere estimation, and that estimation much on the contingency of its being continued in its office; that this estimation may be withdrawn, and that its holders may be subjected to great and severe loss, from which no legislation has either the power, or the right to defend them.

Its inaptitude to commercial purposes, has also been shown, its fallacious effects as a criterion of value, the impracticability of supplying a country with a sufficient quantity of it, the effects of an insufficiency in retarding public improvement, and private prosperity, as well as the consequent necessity of a resort to the system of of credit, and to all its ruinous effects and the fruitless and re-

peated applications for payment, the embarrassments, litigations, losses, compositions, bad debts, accommodation loans lawsuits, insolvency, bankruptcy and ruin, which follow in the train.

It has been further shown that the relief obtained by the introduction of paper-money is very doubtful, as well as very limited in its extent, that under its operation the common evils of money are principally continued, and fresh ones introduced; that a door is opened to fraud, to an indefinite amount, by means of spurious bills of exchange and delusive appearances of wealth and security, that the use of money, the dependence thereon, and the trade therein, are the fruitful parents of social immorality and political corruption. Hence it becomes a matter of considerable importance to inquire how far its use can be dispensed with, and what would be the better substitute. This enquiry will be the subject of our next chapter.

CHAPTER VII.

ADAPTATION OF A MEDIUM OF EXCHANGE TO THE PRESENT CIRCUMSTANCES OF SOCIETY—PRESENT EXCHANGES DIVIDED INTO TWO CLASSES—1st. PERSONAL EXPENCES — THESE LEFT TO THE OPERATION OF SPECIE—2d. COMMERCIAL ACCOUNTS—BARTER, SPECIE, PAPER-MONEY CONSIDERED—REJECTED—THE QUESTION CONSIDERED, CAN THE USE OF MONEY FOR COMMERCIAL PURPOSES BE DISPENSED WITH—IF SO WHAT IS THE MOST ELIGIBLE SUBSTITUTE—THE PROPER OFFICE OF MONEY—USE OF THE TERM CIRCLE EXPLAINED—FIRST CASE, THE CASE OF TWO PERSONS—SECOND CASE, CIRCLE OF THREE PERSONS—THIRD CASE, THREE PERSONS WITH AN AGENT—FOURTH CASE, THE WHOLE CIRCLE OF SOCIETY—OBJECTIONS CONSIDERED—REMOVED — MEANS OF DIVIDING THE WHOLE CIRCLE OF SOCIETY INTO PORTIONS, AND OF MAINTAINING IN EACH, AN EQUAL AMOUNT OF DEBTS AND CREDITS.

THE circumstances of society at the present day, and those which existed at the time of the introduction of money are widely different from each other. When commerce was almost unknown, or but little practiced; when no division of labor had been made, and the arts remained in their rude and almost unimproved state; when the human

power of production was in its infancy, and human wants and human consumption were comparatively limited; when the habits of men were hunting, pastoral, or to a certain degree, agricultural; when the wants of every family were, in a great measure, supplied by their own labor, and little was obtained by exchange, specie or bullion, was the material, then best qualified to effect those exchanges that could not be effected by barter.

But when commerce began to engage the attention of nations, and the practice of the arts, and a regular system of agriculture, became the occupation of a people; when a due division of labor was introduced, and the human power of production was enlarged by successive improvements; when from these causes arose a correspondent increase, not only in human wants and in the human power of consumption; but in the increased number of agents through whose hands those various commodities, by a new organization of society, must necessarily pass, in their way from the producers to the consumers, each one of which would require the separate and repeated service of the established medium, in his own case, the material that had hitherto served the limited demands of society for that purpose, became unable, of itself, to serve the increased demand in what might be called a new state of society.

To adapt a medium of exchange to the circumstances of the present day, that is, to our present exchanges, or, to speak in still plainer terms, to our sales and purchases, it seems advisable to consider them under two classes: *First* those, which being judged too unimportant to be made the subject of an account current, or occurring between strangers, or persons who are not disposed to give credit to each other, are settled on the spot at the time of purchase:

such as these are travelling expences, shopping and marketing bargains, the daily or weekly pay of servants and workmen, and every trifling transaction which is more conveniently paid from the pocket than by means of account.

These matters which cannot be considered as belonging to commercial accounts, are not of that class which it is my present object to provide for. Such trifles may continue to be paid in specie, for which every state either is possessed of a sufficiency, or may obtain it. On account of the limited amount which would be required for such purposes, the numerous channels into which it must necessarily be divided, the consequent smalness of the sums collected in one place, and the manner in which they would be expended, the objections which apply to specie, as a general medium for commercial purposes, would not apply to them, or would be so much reduced as to be rendered comparatively insignificant.

The quantity of specie now in the United States, would be abundantly sufficient for these purposes, and even the quantity required, might, wherever it became desirable, be much reduced. Goods purchased at shops and stores, or even at market, in cases where the parties were known to each other, and where, from any cause, the payment by account was more convenient than by money, might be so settled, even on terms of prompt payment, in the same manner, as that which will hereafter be proposed for the settlement of all matters of account. Travellers would not be required to carry with them more money than is necessary for the payment of their personal expences, nor even large sums for this purpose. Connexions might be established which would enable them to draw fresh supplies at different points of their journey.

In a word, the choice of settling small matters by means of the common medium, or of transferring that settlement to the method hereafter proposed, namely that by account, must depend on the convenience of the parties concerned. They may adopt that which suits them best. The practicability of settling by money is limited by many circumstances, such as the quantity of it in the market, the means which the buyer possesses, of obtaining a share sufficient for his purposes, and its actual presence in his hands. But when the parties know each other and have the common confidence necessary for trade, the practicability of settling by account is confined by no such limits. It is indefinite, and capable of being applied to any extent that the wants of occasions, either ordinary or especial, may require.

Having thus provided for what may be called personal expenditure, I return to the subject of commercial accounts. For this purpose I proceed to inquire, *First*—Can the settlement of such claims be provided for by a return to the system of barter—This question must be answered in the negative. The barter or exchange of commodity, though, the object and the end of sale and purchase, is not suited, as a means, by which that end is to be obtained. It requires equality of value on both sides, and a quality and quantity, which, without being divided, being in some cases incapable of division, are suitable in each commodity to the wants of the receiver; co-incidences which, in practice, must seldom or never occur, and which if they do occur, must form a case which is purely accidental.

The weight and bulk of commodity, the diversity of its kind, its liability to decay, the want of divisibility in its parts, the impracticability, if not impossibility of removing it

conveniently from place to place, backwards and forwards, are qualities that must for ever prevent barter from being eligible as a general means of exchange.

Can it be effected by any system of money or specie? This question also must be answered in the negative.—

First.—Because the condition of exchange by money is arbitrary in its nature, and expensive in its operation.

Secondly.—Because specie is not furnished by society, nor does its material exist in nature, as far as we yet know, in quantities sufficient for the purpose.

Thirdly.—Because from the two foregoing causes, and from the circumstance of its being the adopted medium of exchange it will always command a premium over the price of commodity, and consequently be obtained at a sacrifice.

Fourthly.—Because from this arbitrary condition, from the necessity of waiting for the circulation and arrival of money, and of actually possessing it before exchanges can be effected, such exchanges will be retarded rather than facilitated by its use.

Fifthly.—Because the condition of payment in money, which is not always in hand, and which must be waited for, introduces the custom of credit, and by means of credit are introduced into the commercial world, the whole catalogue of commercial evils, such as disappointments in expected returns, pecuniary embarrassments, expensive collections, injurious loans, litigations, losses, bankruptcy and ruin.

Sixthly.—Because money is not suited to all commercial purposes, for example that of transmission to distant places; it is liable to be lost, counterfeited and stolen.

Seventhly.—Because it is the great source of immorality in every community.

Can this object be better effected by means of paper-money?

To this also I must answer, No. There are two favorable qualities in paper-money, that are not possessed by specie. First.—A community may be supplied with it to any extent that its wants require, provided, it can be established on a safe basis, that is, that of specie, or of real and permanent property, and be convertible, at the pleasure of the holder. Secondly.—Paper-money is better calculated to serve the purposes of commercial payments, and commercial transmissions, or as they are usually called, remittances. In all such cases, it has less bulk, less weight and, when required, may be made payable to especial order, and thereby secured to the party, for whom it is transmitted. But paper-money, for ordinary circulation, can carry nothing on its face that can give any other than presumptive evidence of the solidity of its basis, and it is subject to frauds of a thousand kinds. Furnished by individuals or private companies, governed in its supply, by private interest, and like other commodities, affected by the relative proportion of supply and demand, it will always be furnished in limited and even sparing quantities; a condition required, no less by the security than by the interest of the banker; the arbitrary condition of payment by means of money will continue, the necessity for credit, and the whole train of commercial evils will follow, and to these will be superadded the thousand frauds peculiar to paper money, the creation of a moneyed aristocracy followed by political corruption, and ultimately by the subversion of

every institution favorable to political liberty and social happines.

But if neither barter, nor specie, nor paper-money can answer the present purposes of society, to what can we look for the accomplishment of this end?

We want something that will emancipate us from the arbitrary condition of raising that artificial, material, MONEY, something that will free us from the inconvenience of its scarcity, its expences, its risks, its injurious effects both, commercial and moral, whether in the shape of specie or paper. It ought not to be a material distinct from production itself, which must be obtained by arbitray, uncertain and expensive conditions, and which will drive us to the ruinous expedient of credit to wait for its circulation and arrival. It ought not, for commercial settlements, to be a tangible, portable thing, the right to which is to be inferred from the mere circumstance of possession, whether in the hands of the rightful owner, or in those of the thief; which by being artificially clothed with the value of a medium of exchange, presents too seductive a bait to dishonesty, and corrupts the morals of society. If it be possible, is should be something that will shew its connexion with the person from whom it proceeds, and with him, to whom it passes.

It should be something incapable of being improperly appropriated. It should be traceable through its different stages, and if in any instance it be misapplied by error or otherwise, the track which it has taken, the rules which have governed its passage, and its relation to each party in every one of its transits, should show the departure from the proper rules which should have governed its passage, and furnish the data for correcting it. It should

be something that would grow with the growth, and remain inseparably attached to the possession of the production, something like what the title to an estate is to the possession of that estate, in the person of its rightful and admitted owner. It sould be something that will emancipate us from the necessity of giving credit in a general way, and from the evils which follow from it—from the numberless frauds to which paper-money is liable, from the immense expences of supporting a nummerous class exclusively employed in conducting it; from its aristocratical tendency, and from the danger, that it presents to the safety of all those civil and political institutions, valuable in good government, and dear to every enlightened, free and happy people.

It cannot be expected that these objects can be realized as long as we depend on money, as long as we are bound by its arbitrary conditions, and subjected to its ruinous consequences. I therefore proceed to enquire whether we cannot dispense with its use. Money is nothing more, than an accredited claim and counter with society, possessing certain convenient qualites, which recommend it to our adoption as a medium of exchange and as a transferrer of credit. Let us then inquire if its legitimate and proper objects for commercial purposes, cannot be effected by means of a system of general account, transferring credit by other means at least full as well, if not better, than by money itself.

By the term Money in this place, I mean that identical material, or any portion of it, which, being established by the authority, and having received the assent of society, as a medium of exchange, is delivered by one party as the price of a purchase, or the condition of a pecuniary obligation, and is accepted by the other as a complete and final

discharge of that obligation, or of so much of it as it is equal to.

Such is the lawful specie of every country within the limits of that country, and even in any foreign country where its circulation is generally admitted with the knowledge and acceptance of its foreign character. Such also are the bank notes of any locality, payable to bearer on demand, approved by the community, and the receiver, and at the time of passing, redeemable, according to their expressed condition, at the place of payment.

Money is not the ultimate object of desire but the means of obtaining that object, it is an intermediate article moving between claim and claim, floating between commodity and commodity, taken as the receipt for one, and forming the title to another, evidence of that title, the counter of its quantity or amount, and a token of credit, with a whole community. But these qualities are not inherent in its nature, they are vested in it, by common consent.—

Money follows in the track of claim. Its progress is the discharge and satisfaction of claim. The payment of money is effectually the discharge of the debtor; but it is not equally effectual in satisfaction of the creditor. Though it releases the debtor, it still leaves the creditor to seek the real object of his desire. It does not put him in the possession of it, but of something which enables him to obtain it. He must exhange this money by purchase for the article he wants before that object is attained. In payment of debts, it passes from claimant to claimant, discharging and paying claims as it goes. Money follows claim, both continually revolving through all classes of society in repeated and perpetual circles, constantly return-

ing to their several stations, drawn thither by operations of industry or of business.

In the possession of money every one has his turn, it comes to him in the shape of payment for his sales or his industry, and passes from him in the shape of payment or of expenditure, again to return at its paper time, and on a proper occassion, and serve the same purposes as before.

Now I contend that as the progress of money lies in a circular route, a certain system of account may be made to supply its place, where its track and extent can, in that circle, be included and distinguished.

By a circle I mean that range of society which includes the whole circulating movement of money with the accompanying causes and effects of its progress, namely, claims debts and payments; so that if we wish to trace its path, every point of that path will be contained within it. Such is the great circle of society This contains the whole body of creditors. and the whole body of debtors. It contains all the debtors to the creditors and all the creditors to the debtors. All would be included in the jurisdiction of a power that by any possibility could preside over the whole. Creditors are sellers, debtors are buyers. But no man continually sells without sometimes buying; nor does any man continually buy without sometimes selling. The creditor who receives money from his debtor, again expends this money, upon others, who thereby, in their turns, become creditors and receive their money back again. All those movements are within the range of the one circle of society. Now it is evident, that if an account were kept up by a presiding power, the goods which any person receives, being

of equal value, would pay for those which he had previously delivered, would replace him in his original assets, and cancel the obligation without the aid of money. Hence, after the whole process, it would seem that the intermediate passage and return of money were superfluous. If the dealings are not directly backward and forward, that is between one creditor and his debtor, and back again from the same debtor to the same creditor, the effect will be the same: for as this *whole* circle included every creditor, every debtor, and in fact every individual in that society, so it would contain every account to which the claims of any creditor would apply, and every account to which the same creditor would be indebted. The agency of the presiding power would render it *pro forma* the representative to every creditor of his individual debtor, and to every debtor, the representative of his individual creditor. It would form a common centre for all claims by every creditor on his debtor.—It would form the channel for the discharge of his debts and the receipt of his claims. It would show the state of his account with society, and the balance, if in favor, would be available as so much cash.

This is, what is meant by a circle. Such is the great circle of society, the only one which is complete and perfect, and such are the advantages contained in it.

Hence the plan proposed is adapted to this circle, to exhibit the revolving track of money within it, to contain the several points of its progress, and at each of these points to perform its duty, and supply its place, by the revolution of debits and credits in account, instead of the revolution of the actual material money.—To eluci-

date the method of operation, I will introduce a few suppositious cases, beginning on a small scale.

For the first case I will suppose A has a claim on B for one thousand dollars, and that B has an account, or a set off against A for the like amount. This is the first circle upon the smallest practicable scale. If B pays A in money, A must do the same by B, and each one must provide himself with one thousand dollars; but if each foregoes his claim because the other has a set off to an equal amount, the settlement is effected without the use of money at all. If this is not a *circular* it is at least, a *returning* direction, which is sufficient for the object in view.

Each one is saved the trouble of raising money for this purpose, because he knows that one account will balance the other. He knows that if he paid money to the other, it must return to him in payment of his own claim. If in this case the payment of money is dispensed with, because the claims are obviously *seen* to return to and balance each other, it may also be dispensed with in the larger scale of society, provided they can be rendered equally obvious, or sufficiently so for practice.

To exhibit this certainty and this practicability I will proceed to a second case.

A owes B one thousand dollars, B owes C one thousand dollars, and C again owes A one thousand dollars. A calls upon B, for payment, B calls upon C, and C calls upon A for like purposes. A knows that he is indebted to C, and also knows that he has a claim upon B, but he knows nothing of the state of account between B and C, he knows not that B has a claim on C, and therefore he is unacquainted with the circular movement which the money when paid, will take. B knows that he is in-

debted to A, and that he has a claim upon C, but he knows nothing of the claim of C upon A. In like manner C knows that he is indebted to B, and that he has a claim upon A.—Each knows the relation in which he himself stands to his own debtor and creditor, but he is unacquainted with that in which these debtors and creditors stand to each other, so that he is unacquainted with the circle in which the claims lie, and in which the money, if it entered at any one place, would pass the whole round till it again returned to the same point from which it first set off. This is the state of society. Every man has claims upon others, and every man in his turn is indebted to others. His claims might pay his debts, if the wheel of circulation were understood and could be set in motion. But ignorant of the course which the money would take, each one applies to his debtor for payment, neither debtor is capable of paying off hand, at first application, the incapability of the one to comply with this condition, produces and enlarges the incapability of the other. Each one turns to other resources and when he has overcome all the difficulties attendant on his various applications; when, without any other necessity than that, which arises from an ignorance of the circle, in which the claims lie, he has raised the money and is enabled to pay the debt, he has done no more, than the claims themselves, had he known their circulating course might have been made to do, without the trouble and sacrifice that he has been at in raising money. This ignorance and its disadvantages are inseperable from the present money system.

The third case will show the means by which these disadvantages may be surmounted. Here I suppose the

same persons, and the same debts and credits as in the last case, but with the additional circumstance that they have appointed D their agent for keeping their accounts and for collecting their money, and have also empowered him to disburse that money in payment of their debts. We may suppose each of these parties to know, from his previous transactions that the others have like accounts with the common agent D; but that he does not know that they are debtors and creditors to each other. D, however, as a general agent in this line of business, discovers by his accounts, who are and who are not debtors and creditors to each other; and in its regular course reaps the advantage—Having received from each one, an order to collect from his debtor, he proceeds, in obedience to such order, to charge B with one thousand dollars which he owes to A, and to give credit to A, the creditor, for the same sum; he also gives credit to B for one thousand dollars, being the amount of claim, which he has upon C, and charges the same to C. After this he gives credit to C for one thousand dollars which he claims of A, and charges the like sum to A. Upon turning over to these several accounts in his book, he finds that each of the parties has received the credit which he claimed from his debtor, that in each case that credit has passed in satisfaction to his creditor, that each of these accounts exhibits a balance, that every debt is paid and every claim is satisfied, and that no money whatever has been either passed, or required to pass.

But it may, perhaps, be objected that the foregoing cases are so confined in their circumstances, and applied to so small a number of persons, that they seem selected

for the particular purpose, without being applicable to the larger sphere of society; I will therefore exhibit another upon a larger scale.

Instead of considering the circle as formed by A, B, and C, let it be extended to all the letters of the Alphabet, and let these be considered as representing the whole of society, D being now the general agent for all.

In this case we must expect the claims of each one to lie against many persons, rather than as lying against a single one. Each one therefore sends in his several claims to his agent. A sends in not only those which he has against B, but those which he has against other members of this society. B, does the same thing, and is followed by C, and he by all the other members. Each of these claims stands to the credit of the claimant, and to the debit of the debtor. Now I proceed to ask how are they to be paid? To begin with the payment of A as we began with his claim, we must remind ourselves that he, being, like his companions, a member of the same society, cannot be a constant seller of commodity, a constant creditor without being sometimes, at least a buyer and consequently a debtor. If he be a manufacturer, he must purchase the materials for those manufactures. If he be a dealer, he must purchase the commodities, which he afterwards sells. In the course of his business he will be subject to expences, such as the conveyance of his commodities, and numberless others, to which every trader is subjected. Besides this he must be a consumer of the produce of the labor of others, which he must obtain by purchase. Hence, among the claims of others, there must be some against

him. If these claims amount to less than those which he has against others, he is still a claimant for the balance, which he is entitled to receive, either in the produce of the labor of the other members, or, if they so determine, in money; a condition which every society might retain for its satisfaction, till they were assured, of the practicability of doing without it, or which they might avail themselves of in any contingency which they might judge to require it. There would however be but little to induce any person to make choice of such a payment, when another method of paying and being paid was generally agreed to, more safe, convenient and advantageous in practice. The estimation in which money was held, would considerably diminish, when it came to be felt, that every object of desire could be as easily obtained in exchange for the produce of one's own industry, for the claims which each one had on account, as for money.

But to return to the subject, the great point is, that in the constant and mutual interchanges of society, the claims of one, nearly if not quite, balance those of another, that the greater part, if not the whole, of what every one receives in one way, he again expends in another; and the case would be rare, in which any great balance would arise in favor of any one person, which was not again due, or partly so, to another

But the balance, however, may be the other way. A, who was originally the creditor, may, by the influx into his account, of the claims against him, have become the debtor. In this case he will himself be called upon, by the agent D, to make good his account to the society. If, however, the balances between the dif-

ferent parties concerned, be nothing more than the ordinary fluctuations of an account current, which are on this side to day and on the other to morrow, ever fluctuating, but never alarming, they may with safety, be allowed to go on in such a way for any length of time that the parties may continue to act together, or for any indefinite period, subject to the contingency, of the affairs of any one person, on account of his death or otherwise, rendering a settlement necessary in his particular account. The case of B, C, and all others in succession would run in the same manner, and be subjected to the same rules as that of A.

In the example which we here suppose, it is not necessary, as in the former ones, that each claim should be successive, from the first to the second and so on. It will be sufficient for each one, that he balances the claims which others make against him, by furnishing to account his own claims against others. This will, in fact be discharging and paying his debts. By these means his accounts in the books of the agent will be the balance sheet of his debts and credits, which will be paid and satisfied by making each side equal to the other.

To the examples which have here been introduced, it may be objected that the whole circle of society is much too large to admit of the operation of such a system of accounts, that it cannot, by any possibility, be included in one series, that its interchanges, are too much intermixed to admit of a separation of its parts, and that wherever a line of distinction is drawn, persons will be found on each side, having connexions on the other

That the whole circle is too large to be included in one series of accounts may be admitted without prejudice

to the argument; but the assertion that it is impracticable to divide this circle, notwithsanding the intermixture of one part with another, will admit of a different answer. If we consider all the parties to which the last example applied, as forming a portion only of society, instead of the whole, another example will be furnished for examination, from which we will endeavor to ascertain how far we can succeed with this division or portion of a circle. Such a portion must be a local portion, that is, it must consist of a number of persons inhabiting the same neighborhood. From their vicinity to each other, there will be many among them, whose dealings not being very extensive, will be wholly included in the circle which the portion embraces. With these, inasmuch as the whole number of their claims and debts, will find their way to their particular accounts, where they will meet with the liquidation they require, the separation of this part of society, in the matter of account from the great body, will be productive of no inconvenience. But for others of its members, who have debts or claims, lying out of its range, a connecting link with the portions in which they lie, will be necessary. This link may be formed by a special account in the books of the agent, through which all claims outwards should be passed to their destinations, and all coming inward, from such places, should be received.

In this portion, or smaller circle, the whole amount of debts due from the debtors, would always be equal to the whole amount of claims due to the creditors. The latter will be claimants on the former, though they may not have been their original creditors. But this change of persons in the liabilty to the debt, cannot operate to

the injury of the creditor, but may operate to his benefit; for as every creditor must be answerable for the debtor whom he has trusted, till payment is actually and finally made; so must that creditor remain liable as long as the claim continues unsatisfied.

By a series of accounts based on the foregoing principles, the books of an agent would contain the debts and credits of each person, and would become the place for their general liquidation. Whether each one delivered the account of his claims, or that of his debts, the effect would be the same thing. All that were delivered would be discharged and canceled, as far as the entries would go. Every claim would be placed to the credit of the claimant, and every debt to the debit of the debtor; each side as far as it went, would as effectually discharge and absorb the other, as, under any circumstances, could possibly be done by the agency of money, and this with less difficulty, and far greater advantages; and any unapplied balance that had not performed its duty in one place would remain to perform it in the continuation of account. This subject will be resumed in the next chapter.

CHAPTER VIII.

FURTHER ILLUSTRATION OF A SERIES OF ACCOUNTS BASED ON THE FOREGOING PRINCIPLES — OBSERVATIONS THEREON — SKETCH OF PROCEEDINGS THROUGHOUT—REGULATIONS BY COMMITTEE OF SUBSCRIBERS—PROPOSED PLAN OF PAYMENT DIFFERRING IN FORM ONLY, FROM THE PRESENT ONE —GOOD FOR INEQUALITY AS WELL AS EQUALITY OF CLAIMS — EQUALITY OF RECEIPTS AND PAYMENTS NATURAL—OBVIOUS ADVANTAGES OF GENERAL AGENCY IN SETTLING BALANCES—IF GOOD FOR TWENTY, GOOD FOR ONE HUNDRED — ONE THOUSAND — TEN THOUSAND—IF GOOD FOR ONE TEN THOUSAND, GOOD FOR MANY TEN THOUSANDS —PROPOSITIONS.

In order to give a further illustration of the practical effects of a series of accounts based on the principles, and calculated to serve the purposes spoken of in the last chapter, I will exhibit one more example together with the mode of acting upon it.

Let it be supposed that A is a merchant who keeps an account at an office, established for this purpose, that he addresses his written orders to the agent, in which he says—"You will please to give me credit for my claims,

on B for one hundred and one dollars, on C for one hundred and two dollars, and on D for one hundred and three dollars", and that the example of A is followed by twenty others, whom I will designate by the following twenty letters of the Alphabet, each of which sends in his claims upon the others, amounting, in the whole to six thousand six hundred and thirty six dollars.*

The agent receiving these orders, will proceed to act upon them, and will produce the account of each one's claims upon the other. The credits, forming charges against their respective debtors, will furnish also the other side of the account. By these means the books of the agent receive all the items of each one's account, of those which form his debts, as well as those which form his credits. It would have the same effect, and in many cases it might be preferred, that the account sent in by each one, should contain those debts which he owed to others, and which he is desirous of paying by that means, either without, or in addition to, those which he claimed as due to him from others. But in whichever way the entries arise, the credits will be applied to the discharge or cancelment of the debts, and the debts will absorb the credits. Each side of the account, as far as it goes, will operate against the other, and the balance of unapplied credits or unpaid debts, will come out in favor of, or against the account, or the estate of the person in whose name the account is kept. All credits and debts, that do not come out in the unapplied remainder, are satisfied and paid off.

In the example now before us, the aggregate of claims at the commencement of the operation, was six thou-

* For the observations on this example of account, the reader is referred to the appendix at the end of the book.

sand, six hundred and thirty six dollars. As soon as the different items are involved in each other, that is, as soon as they are placed to the credit of the claimants, and to the debit of the debtors, their own effects and mutual operations on each other, reduce the balance to ninety three dollars, from which it appears that six thousand, five hundred and forty three dollars have been canceled and paid off, putting every debtor and every creditor to the several parts of that sum, in the same advantageous situation which he would have been in, if he had performed the process of collecting his money, from his debtors, and paying it over to his creditors, which business has been done by the mere operation of account free from the expence and risk of money, one that can be commanded at any time, and to which no excuse, no cause of delay, arising from scarcity or absence of money, can apply.

Now let us suppose, that from a want of confidence in a newly proposed plan, or from any other motive, the parties connected are desirous of testing the safety of their proceedings, by bringing their affairs, if not to an end, at least to a settlement in some way, to which they have been accustomed, and of which they have, or think they have, a better understanding; in fact, that they determine, for the sake of security, that the present balances shall be drawn out and paid in money. The first step they must take will be to desire their agent to make out a balance sheet. This he does, in obedience to their directions and produces an aggregate of balances amounting to ninety three dollars. He also shows by this sheet that the aggregate of present claims and that of present debts, agree in their amount, being each of them ninety three dollars.

This being done, each debtor, agreeably to what we shall consider a previous agreement, pays his present balance in money, and each creditor receives his share in the same material. By these means claims to the amount of six thousand, six hundred and thirty six dollars, have been paid off by a process in which only ninety three of them were paid in money, and the payments thus effected, are as much beyond the power of possibility to disturb, as if they had been made in the firmest way in which money is capable of effecting payment.

But it would soon be perceived that such a resort was not necessary; for the remaining balances, if subjected to the operation of a continued account, would become canceled and paid, as effectually as their preceding items had been. Security also would be provided in the condition which makes every creditor responsible for the claim which he has upon his debtor, till that debtor has finally discharged it.

But let us suppose that the parties to these accounts, are disposed to test, still farther, the correctness of the principles on which they are proceeding; that for this purpose a general settlement is determined upon, and every one is required to furnish the necessary credit for discharging his debts; that one of the parties, U, is not in a condition to conform to it, and that therefore the creditors resort to his securities, namely his immediate creditors, in order to effect the settlement they propose.—In this case they turn to the account of U, where it appears, that the balance of twelve dollars due from him, is an unpaid part of a claim made against him by T, who was his creditor in a transaction from which this claim arose. This sum of twelve dollars is then re-charged to T, and the re-charge,

or removal, from the account of U to that of T, balances the account against U as far as relates to the company, reduces the claim of T from eighteen to six dollars, and makes a new balance sheet amounting to eighty one, instead of ninety three dollars.

But the claim of T upon U is not injured by these proceedings. It is the responsibility only of U that is rejected. T has the same claim upon him as he had before, it is equally valuable as then, and may be resumed in a continuation of account, in which the responsibility of T for U, will be required till he brings forward such good claims in his account, as will effectually and completely discharge it. There are however, but two cases, in which recourse to the security of a debtor would be necessary; the first is, in the case of a final breaking up of the company, and consequent general settlement of its accounts, one that could only happen from the force of opposition, or from a groundless want of confidence. In such a case the debts rejected, would, as in the case we were just speaking of, be thrown back upon their creditors, who must then dispose of them upon the old system, namely that of money, in a personal and private way, instead of the new and associated one, of cancelment in account. The second case is that of the absolute failure and stopping of payment on the part of the debtor, in which case the unpaid part of his account would be re-charged to his unpaid creditors. The case of the death or withdrawal of a member would, it is true, require a settlement of his particular account, but this would form no new case. The effects of the deceased would be either solvent or insolvent. If they were insolvent it would belong to the case quoted above as the second case. The claims

made upon it, by unpaid creditors, would be returned to their accounts, and the balance would, by that means, be effected. If those effects were solvent, the executors would either remove the credits from account, or in order to make it a place for the general settlement of the affairs, or they would place in it a sufficiency of credit to enable it to meet and discharge the debts.

As long as the account of an individual is in continuation, even though his payments may be somewhat in arrears, it is not necessary that the body of creditors, should avail themselves of the resource they have in his original creditors so long as those creditors are of sufficient responsibility. If he be a debtor he must have his creditors; and those creditors must be as much responsible for him before his debts are re-charged to their accounts, as they are afterwards. It is more particularly their business to look to the circumstances of his account, and if they are satisfied with them, it is unnecessary for creditors, connected only in a distant degree and having protecting and good responsibility standing between them, to make any objection.

In the next place we will suppose the account of U, instead of being the account of a member, whose responsibility is rejected, is the account with parts out of the limits of the locality or local office. By reference to this account we perceive that those parts have received credit for claims made againsnt A, B, and C, that these parties have admitted the claims, that B and C have paid off so much of them as stood against their accounts, and that A remains a debtor of eleven dollars on the last item against him. Here is nothing in the circumstances of A's debt to create alarm; but R, S, and T will have received credits for claims upon outward parts, respecting the payment or security of which,

some uncertainty may exist. In such a case as this, the creditors of these parties must look upon these claims as they now do on claims against merchants of similar and distant connections. They may attach to their general character and commercial reputation, what reliance they think proper; but the lapse of that short time which is necessary for the course of postage, will give the additional security of the present plan. It will bring them information of the soundness of the parties against whom those claims are made. On the receipt of this information the creditors of R, S, and T may form a pretty certain idea of the value of their own claims.

There is another method of managing the distant claims, which may, in some instances, be preferred to the foregoing. It would consist in a condition requiring every one in the habit of issuing, or receiving items of entry from distant quarters, to open a separate account for such purpose; from which account a balance might, at appointed periods, be transferred to his account with his domestic transactions. But it would be necessary that the management of the offices, in which these accounts were kept should be vested in some power, satisfactory to the parties engaged in them. In none, perhaps, could it be more so than in a committee chosen from among themselves. Whether such a committee should be composed of such as were subscribers only, or whether it should be confined, to those who were creditors; whether the account of the home transactions, as distinct from those with distant parts, should be confined within the limits of the city or township in which the office was situated, or extend to the whole county, or what should be its extent, are questions which might be determined by the members generally.

The payment which is hereby effected by the transfer of credit in account, is, in fact, but another form of the same process, which is now effected by the ordinary transfer of a bank note in payment. If A, having a claim on B, obtain an entry in the books of their common agent or banker in his own favor, and against B, he is paid by taking B's credit in account. If B pays A by a bank-note it is the same thing. The note is nothing more than the evidence of a debt of the banker, and of the claim or credit of the holder. It is the representative of the credit due upon it, and the transfer of the representative, is the transfer of the credit attached to it. In either case A is paid by the transfer of credit in account. In the first case B depends upon, he uses and transfers, his own assets, his own credits for his own purposes. In the second he proceeds in a round about, an expensive mode; he exchanges his own credit, with a banker at a considerable expence, and then substitutes his banker's credit for his own. A payment made by entry in account, is made in a manner which is safe and incapable of misapplication. When made by a tangible, transferable, loose document, on which credit is given to the holder, simply because he appears as the holder, it is liable to a thousand frauds.—Each of these methods is acted upon by bankers, and either of them is equally effective with the other. It should however be remarked, that the transfer by entry in account, the safer and the better method, is by the banking system, a privileged method, confined to those parties, who have banking accounts, and keep money at those places.

Payment whether made in money or by any other means, is simply a transfer of claim by a compliance with certain forms, commonly understood, and admitted, and consa-

quently sanctioned by law, by which forms credit, which in this case is claim, is transferred from one to another. This transfer of claim is *called* payment; but this payment remains to be realized hereafter by a consequent delivery of commodity, or something of equal value, in virtue of the claim previously transferred. The admission, the compliance with the forms of admission, and the PROOF of that compliance, contained in the material delivered, not the material itself, are what give the validity to the act of payment, and transfer the credit, that is, the claim from the deliverer to the receiver. The value is not in the paper of which a bank-note consists, nor in the ink, nor in any portion of the material, nor in the whole material together; but in the PROOF of the transfer of credit and claim effected by the transfer of the material. A certain proof that there is no value, no virtue in a bank-note, nor even in specie as a medium of exchange, except as the proof of a previous act on the part of a former holder, transferring his right and claim to a succeeding one. A proof also that any thing which is qualified to answer the purpose of transfer with safety, and to prove it with certainty, may be substituted in its place, and is the more estimable in proportion as it the more effectually performs these duties.

It may perhaps be said, that the creditor, finding his debtor without the means of paying him in money, is, by this plan, referred for such payment to this debtor's debtor, in hopes of finding in the hands of the second debtor, that which was wanting in those of the first. This is not the case. Each one's account is intended to be a general receptacle for his debts and credits, where they may all meet, and mutually neutralize, cancel and discharge each other. Every claim made against the account of a debtor, will hold

good, not only against any particular credit which may stand against it on the opposite side of the account; but, if that credit be bad, against every other item in succession till the debt is discharged. The creditor in making entry against his debtor, does all that his duty requires, or that his debtor has a right to expect from him. It then becomes the debtors duty to make his account good. It is the condition to which he is bound even under present circumstances, though in a different form. Indeed he cannot carry on his business or maintain his credit by any other means. Neither can he, on this plan, avoid the payment of his first creditor, or defer it by making a preferable or previous payment to a second. It is a necessary condition that every item, if due according to entry, shall have priority of claim on the credits of the debtor, according to the priority of that entry.

In these accounts every item of credit must be obtained by a good claim, which a creditor has against his debtor for goods sold and delivered, or for some other actual transaction, or good and lawful consideration. Every attempt to obtain credit in a clandestine or improper manner, must be impracticable. To every item there must be a debtor and a creditor, the names of both must be visible in the transaction, and whatever gives credit to the one, must take it away from the other. Hence, it is clear that no collusion or confederacy between any two or more persons, can create and maintain a fictitious credit. Credit, properly obtained, would be available in account as cash, and liable to the payment of any good claim made against it. To this account each party might refer his debtor or his creditor for settlement; or without being so referred, their own entries might be issued in favor of, or against it, while a balance in favor

of any account would be considered available as so much cash in hand, ready for any purpose for which it is required, a balance against it would be so much debt remaining to be discharged by future credits.

It seems hardly necessary to say, that if this system of account be good for the settlement of a list of debts, where the claims of each party are nearly equal to each other in their account; it must be good also, in any other case, in which, for any particular length of time, the preponderance of debt may be one way, and that of credit the other. Such an inequality could not last long, and while it did last, it would do no more than carry on balances to be afterwards liquidated by the further progress of account.

It is not however in the course of social affairs that such an inequality of progress could either be permanent, or continuing for any length of time.

It must not be forgotten that in pecuniary matters, the expenditure of every one, must be governed by his income. In some improvident cases, this rule may be, to a certain degree, departed from; but there are always principles in action to arrest the progress of this departure at a certain point, and, where the object can be effected, to remedy the evil by correspondent retrenchment on the side of expenditure. Even in cases where this object cannot be effected there is always a point at which such improvidence must be stopped. But this is an exception to a general rule. Where the general rule obtains, that is, where no such improvidence has occurred, or having occurred, has had but a temporary existence, or a limited extent, and has been counterbalanced by subsequent retrenchment, it is clear that the payments which such persons make, never can have exceeded their receipts, nor can their receipts have exceeded

their payments, except to the amount of the cash, which at the time in question they have in hand.

That the process here proposed as a mode of settlement would be effectual, must be obvious to the mind of every one accquainted with the nature of mercantile accounts, and with the mathematical precision of figures. Every one knows that if I meet with an agent upon whose integrity I can rely, who is willing to take upon himself all the claims I have against others, to give me credit in account for their amount, to apply that credit to the payment of my debts, and to give me a good account for whatever balance may be due to me; or in case of a balance against me, to hold my account open, till by the progress of my transactions in business I have the means of paying it off; one, who will hereby save me the trouble, the expence and uncertainty of collecting my claims in the shape of money; one, who will convert my book-debts, which at present are dormant assets, into active capital, free me from the risk of giving credit, and enable me to make my own claims immediately available for the payment of my debts, every one must then admit, that I am placed in a situation far superior to any that the present state of commercial affairs affords.

To these observations it may be urged that the integrity of the agent is a mere contingency, that it is simply supposed, that the plan itself is not understood, and that what is not understood cannot be entitled to general confidence.

To the first objection it may be replied, that as the agent is simply the accountant, whose business must be done by mere entry and record, and that as no money passes through his hands, nor any thing else, that he can convert to his own use, there is no danger of fraud; that the most expert rogue cannot steal where he meets with nothing valuable, nothing

tangible. If however it be necessary to take security from the agent, there cannot certainly be more difficulty, in obtaining it in this case than in any other; in a case in which risk is doubtful or at most but trifling, than in one in which it is great and imminent, as is the case in banking business.

With respect to the objection, that there may be people who do not know the principles on which this plan will work, to this it is only necessary to reply, that these principles are simple, and that they are also published. By those who labor under no deficiency of intellect, of education or of experience in mercantile accounts, they will be easily understood; but there are always persons to be found, who can not understand, even a common account current. It is not necessary to wait till these can understand it. They must depend, as they do now in many other cases, on the judgment of their neighbors. How many are there who do not understand the business of banking, or rather how few are there that do understand it? And yet all these receive and pay bank-notes, and many of them have accounts with bankers; many, who know but little, if any thing, more than that the notes are issued by bankers, and payable on their responsibility, of the nature of which responsibility they know as little. Of the principles which govern the business of banking, they know still less; yet they trust to it because they see others do the same.

Now, if this plan of settlement is good for twenty one persons signified by the letters which have been used to designate them, it is, by an extension of the rule, good for one hundred such persons. If good for one hundred, it is good for one thousand; and if good for one thousand it is, by farther extension, good for ten thousand persons. For such a number it is practicable, with the ordinary ease of business to

keep such accounts, in the banking form, and by their means to discharge and cancel the claims of each one upon the other. It would certainly require some judicious divisions and subdivisions of its parts, but these are however well known, and can be easily adopted by practical men.

If good for ten thousand, as far as regards their interchanges with each other, it is good also for a similar purpose, in the case of another ten thousand, inhabiting another division of the country; and as it is practicable to connect two bodies with each other, by means of a special connecting account, which will enable them to exchange and discharge debts and claims with each other, and by similar means, to connect them with many other, even with an indefinite number of such communities; so is it possible, and even practicable, to effect by one system of connected accounts, the settlement of debts and claims between any two, or even every two individuals, who may be connected in business with each other, although they may be residing in different and distant parts of the same nation, or of any of the several nations to which the system may be extended.

I shall conclude this chapter with a few propositions, growing out of the observations which I have already made, intended to support the main proposition, that the use of money, for the settlement of commercial claims, may be dispensed with.

Money is simply a means of exchange, it is not the object of that exchange—It is unnecessary in all cases in which its agency can be better dispensed with than used—This agency is advantageously dispensed with in cases where claim cancels claim, or balance cancels bal-

ance.—The business of money, namely that of effecting the liquidation of claims and debts, arising from sales and purchases, is equally effected, if made in the accounts of agents, duly authorised by and acting for others, as if made by those persons acting for themselves as principals.—On these propositions, more definitely stated, I shall make some further observations in the following chapter.

CHAPTER IX.

PROPOSITIONS CONSIDERED—EFFECTS OF A LOCAL OFFICE.

IT may be recollected that my main proposition is that the use of money may be dispensed with in the settlement of commercial claims and debts, by using for a substitute, the plan I have pointed out, in the last two chapters. I shall now proceed to re-state those propositions of my last chapter calculated to support the major one, and to make some further observations on them.

FIRST PROPOSITION.

MONEY, considered in its proper and legitimate character, is not the *object* of sale or exchange; it is simply a *means* of exchange.

Observation.—That money has been rendered a marketable commodity, as well as the means of much injurious speculation, is true; but these are abuses grow ing out of its incompetency for answering the full purpose for which it was intended. Its proper use is to act simply as a means of exchange.

SECOND PROPOSITION.

Wherever exchange can be effected as well or better, without the agency of money than with it, that agency is unnecessary.

THIRD PROPOSITION.

Exchange is effected without the agency of money, wherever a first party has a claim upon a second to the same amount, that the second has against the first; or in case of a difference in the two amounts, the less claim, as far it goes, is an effectual exhange or set off for the other, leaving the difference only as a balance due.

FOURTH PROPOSITION.

In case of several such claims existing on each side, those of that side which amounts to the smaller sum, will exchange for, discharge and cancel, an equal amount on the other side, and the difference only, of the two amounts, will be the balance remaining due.

FIFTH PROPOSITION.

It matters not in point of form, of process or of effect, whether one or both of the parties, be agents, or principals, provided they act by the consent, and with the responsibility of those principals, and with the consent of their debtors and creditors.

Obs.—The last four propositions, are, I think, sufficiently evident to need no observations in support of them. I therefore proceed to the

SIXTH PROPOSITION.

If we consider one hundred persons as constituting or representing the whole of society; that these have one general agent for the settlement of their pecuniary concerns and claims upon each other; that to this agent each one sends an account or a list of his claims upon others of the ninety nine, and that the agent transfers each claim of a creditor to the debit of its correspondent debtor, all claims and debts thus balanced by contrary items, will be completely paid and satisfied without the aid of money.

1st. *Obs.*—If after a lapse of some time the current and unsettled fragments be brought out as so many final balances, they may be settled either by a continuation of the same system of account, or if any want of confidence exist, by a payment in money. If settled by a continuation of account they will be as effectually settled by the same process, as their preceding items have been. If settled by agreement in money as final balances, they confirm the preceding settlements and complete the whole, in a manner which must restore all want of cofidence in the method of payment. In either way the whole settlement will be effected beyond the power of possibility to disturb.

2d. *Obs.*—The truth of this proposition is confirmed by the general custom of banking business. In the case of the one hundred persons here alluded to, having an account at the same banking house, and one of them, whom we will call A, having occasion to pay a sum of money to another, writes an order to his banker authorising him to pay this sum to B and charge his account, that is A's, with the same; if B has no occasion to draw the money from his

bankers, or if he wishes it to remain in his account at his banker's, instead of placing it in his own pocket, or perhaps to transfer it to another in the same way that A has done; instead of drawing it out of his banker's hands, he desires him to give him credit in account for that sum. This is the every day business of bankers. In this case they perform the same business as would be performed by the agent; and precisely to the same effect, a business which it is evident they can do without money.

FIRST OBJECTION.

But if we make this rule general instead of confining it to persons of property, who keep their accounts at banker's, we shall have many claims that are bad, that is, upon persons who cannot pay.

Answer. Where a person's effects are actually insolvent, no system of money will remedy that insolvency. In case of a claim being made on one who cannot, or does not make a due return, that claim must be re-charged to the claimant. But the ordinary difficulty of payment existing among the most numerous classes of society, is not, in general, the effect of insolvency, though it be very frequently the cause of it. It arises from the scarcity of the circulating medium, and the difficulty of obtaining it. This difficulty would be surmounted, and the circumstances of those who are effected by it, would be rendered more flourishing, when they were enabled to pay claim by claim. In general, indeed, in all required cases, it would effect prompt payment. But where it were necessary to give credit, the state of the account, and the visible assets of the debtor, would enable the creditor to form a pret-

ty correct idea of the safety of his claim. But every creditor, upon contracting with his debtor, as well as upon subsequently making an entry against him, should recollect, that if the claim is not discharged within a certain understood period, it will be returned to his own debit in account.

SECOND OBJECTION.

But these one hundred persons are not the whole of society. It is too numerous and too much scattered to be included in any one series of account.

Answer. It is true, these one hundred persons are not the whole of society; therefore this circumstance is provided for in the

SEVENTH PROPOSITION.

If a country be divided into local portions, and each portion be sufficiently small to come within the range of one agency office, all the claims and debts arising from the interchanges of persons within it, may be settled by means of that agency office, which, to distinguish it from offices of other kinds, I will here call, a local office.

FIRST OBJECTION.

But the connexions of any local society, are not confined within the limits of any particular locality; therefore a local office could not provide the means of settlement for the transactions of persons living within the limits of such an office, with those out of the said limits.

Answer. This objection has been anticipated and provided for in an

EIGHTH PROPOSITION.

If to a certain convenient number of these local offices, there be attached one intermediate office, to serve as a channel of communication between the several local offices, and all other offices; if each of these local offices open an account with this intermediate office; and through it, make its communications to, and receive those from all other outward places, all the debts and claims which they have with other localities, may be brought home to the account of persons living within the limits of the locality, such accounts, may be made to contain the balance sheet of each person, or the general account of his debts and credits, in which situation they will continually neutralize and discharge each other, as far as they go, and the same method of account may be continued *ad infinitum*.

FIRST OBJECTION.

But the transactions of society are not confined within the limits of any one nation: they extend to foreign countries.

Answer. This case is provided for by a

NINTH PROPOSITION.

That if a third kind of office be established to communicate between the intermediate offices and similar ones, or in some cases with individuals, in foreign countries, each local office may thus communicate with any

part of the world, usually included in our commercial intercourse, and contain in its books every item of debts and credit necessary for general practice, as affecting every member of society.

FIRST OBJECTION.

But though the debts and credits of every man be brought home to his account; yet as the persons of the debtors and creditors are residents of different countries, or of different parts of the same country, and therefore are not both included in the same local series of accounts, there must be, in each locality, claims by some persons within, upon those without, for which no return is received. In the books of that locality, there would be debtors without creditors, and creditors without debtors, so that the equality of amount in debts and credits would be destroyed.

Answer. There is a social principle, which, though well understood, and necessarily acted upon, as it affects individuals, is yet, to a certain extent, lost sight of in the extensive and apparently complicated concerns of society. Every individual is well acquainted in theory, as well as in practice, with the principle, which prevents his obtaining from his neighbor, the produce of that neighbors industry, without making an equivalent return in the produce of his own, or in the money obtained for that produce. The same rule, though not so well understood, holds good in society. Every country, every division of a country is limited in the quantity, or rather in the exchangeable value of that production which it can obtain from other countries, by that surplus of

its own, which, after it has satisfied its own demands of that kind, remains to be disposed of in payment.

A conformity to this principle is enforced in the rule of trade, which obliges every person who has had dealings in foreign countries, or in distant parts of the same country, to receive his claim from, or to make his return to the same person with whom he has contracted. The opportunity for this purpose is afforded only by the reciprocity of the exchanges or interchanges of commodity between the several countries as well as those between the several parts of the same country; and in order to effect it, the transit of commodity into, and out of each corresponding country, or part of a country must be equal in value.

But by the intervention of money, which is the representative of claim; or rather of paper, which is its representative in the second degree, which is sent backwards and forwards in its representative capacity, and which is supplied by persons who make the traffic in it their common profession; each merchant, depending on obtaining the necessary assistance from his banker or broker, when he requires it, and confining his attention to his own particular case, has, to a certain degree lost sight of the general principle, which is left to the money dealer to act upon, and becomes a portion of his business to manage. But the fact of the accomplishment of this object by one who is simply a dealer in money, and who has not the power to effect an equality of exchanges by the issuing of mercantile orders, if to effect such a thing were necessary, is itself a proof that such equality is previously existing, and farther, that paper, which is but the representative of money, or in the

second degree, the representative of claim, and which is constantly travelling bakwards and forwards in that representative capacity, is also, itself equal in value in the aggregate of its various transmissions from and to one place, and must consequently be capable of balancing itself without such transmission, if applied to that purpose.

But this business will be much more easily effected by a system of balance in general account current, than in that of collection, and returns, made by, and depending upon, single individuals. In every case in which the debtors to account are good, every item of claim sent out will afford the opportunity of receiving one inwards to the same amount, and every one received will afford the like opportunity for sending out to an equal amount also. It will be the accumulation only, of balance to one side or to the other, that will require the attention of the parties concerned in the accounts, and of those also whose more particular business it will be to watch over and direct the affairs of the office. These must observe the growth, and effect the reduction of this balance, and take care that it produces no inconvenience by too great an accumulation on either side. They will have the power of checking or deferring entries either way, as necessity may require.

Of this inconvenience, however, there will be not much danger. The common laws of trade will in general restrain the balance within due bounds. But for more effectual security, the government of each office would have power to check the increase of entries, on either side, wherever it were necessary to effect a balance, or to restrain the difference within reasonable bounds.

In each intermediate office the balance sheet would show

the state of its account with every other similar office; whether it were debtor or creditor, and to what extent; at the same time its accounts would also show how the local offices connected with it, stood in account with itself As often as this balance sheet was made out, which would be at fixed periods, perhaps once a year, the equilibrium of account might be restored by preventing any increase on the heavier side of it, till the other was raised to an equal amount.

As in the nature of those social exchanges which take place between individuals situated in parts distant from each other, there exists a necessity for some trifling force, or rather, perhaps, direction for preserving the balance of trade; as this necessity has been felt in practice, and as a rule for conforming to it is laid down in the present form of commercial exchanges; so must the same case be provided for in any new forms adopted for effecting these exchanges.

Such are the propositions which will, I conceive, support the main one, that credit in account may be used to perform the duty of money.

After the observations, which in the foregoing chapters, I have made on the end and objects of exchange, on the nature and use of money, as the means of effecting them, on its insufficiency, its utter incapability of answering the purposes for which it was intended, and on its qualities, as in the character of a medium of exchange, they affect public morals, commerce and politics; I now proceed to state some of the advantages which must evidently result from the method of settlement by account, proposed in the last two chapters.

In the opinion of the author, the following are some of the principal effects, which must result from it.—It will

present a new and secure medium of exchange, with qualities suited to the commercial condition of society—It will form this medium of actual property, that is claim in account, a property that would otherwise be lying dead—This medium being actual property, is a sound medium; being the title to property, it by that means carries that property within itself—It is free from the risk of specie, and from that of paper-money—The capital formed by this medium, being the title itself to a portion of material property, must always be commensurate with the real wants for the actual exchanges of society—It is, and always must be, free from glut, scarcity, panic or fluctuation of any kind—It offers to the commercial and trading community a vast augmentation of active capital—It presents all the advantages of barter, and is free from its disadvantages—It supplies all the legitimate objects, of bank-paper, and is also free from the objections that attach to it. It offers to every merchant and man of business, freedom from the necessity of giving credit, and from its risk—It offers security from bad debts, the avoidance of all expence and delay in collecting them, the prompt payment of existing good claims, and the immediate liquidation of such as may arise from future contracts—It offers to the public generally, a safe and effectual substitute for money, answering all the purposes of specie, some small cases only excepted—It is free from its heavy cost and its other evils, as well as from the objections applicable to a paper currency—from the danger of counterfeiting and of forgery—of becoming bad by the failure of banking or commercial companies—of being abstracted from its owner by the treachery of a perfidious friend, of an unfaithful servant, or by the violence of the unprincipled robber—It promisses security from the

social and political evils of a moneyed aristocracy—from the subversion of our political liberties, of our social rights, and ultimately of the capability of the great body of the people to obtain and retain property.

It would exert a beneficial influence in equalizing the currency.

It would furnish, and extend to every man in business, the benefit of a banking account, without its expenses.

It would enable him, to become his own banker, on the security of his own property, without requiring him to pledge that security, in the hands of a professed banker, in order to obtain the use of that banker's name as a substitute for his own.

On good and approved security, it would furnish pecuniary accommodations, without the expence of interest.

It would, if adopted for such purpose, place in the hands of the political government, the means of raising, by the services of its officers, a revenue sufficient to supply the public wants, over and above due payment for such services, on principles fair, equal and economical, without having recourse to direct or oppressive taxation.—

If these effects, or even any considerable portion of them can be attained, they amount to benefits of no trifling nature. That they are attainable is an opinion, the result of much reflection, which I shall endeavor to support in the following chapters. There I will take each point separately; and to what extent I may succeed I shall leave the candid reader to determine.

But while I contend that the greater portion, perhaps the whole of these effects may follow from the use of the the plan, I do not intend to say that they are qualities, positively growing out of it. The greater part of them

would arise negatively in the want of a cause to produce their opposite evils. This cause, I conceive to be, the use of money.

Were I to watch the growth of a young community, and were I disposed to place great obstacles in the way of its success, I would advise its members to invest some valuable and convenient material, say specie, with the character of money, to use it as the common medium of their exchange, which should be effected by means of sale and purchase, to establish a dependence on its use by law and habit, and to render it the only legal tender in payment of debt, in all cases in which no other mode of payment was agreed upon. Such measures would be certain to place them under great and serious difficulties.

To purchase the material would absorb a great portion of the early productions of their industry, and very materially retard their future progress to wealth. The scantiness of the supply, always inferior to the demand, would retard their exchanges and their settlements, would plunge them continually in law-suits, would involve them in great losses and expences, would call forth the angry passions, and introduce bad feelings into every neighborhood.

So valuable a material, clothed with the power of money, confined within so portable a compas, and containing within it so many qualities convenient for secresy, for removal, for division and conversion, either into any other form, or any commodity, would present an alluring bait, in many instances, even to innocence itself, and always to the dishonest man, would sharpen his ingenuity, and frequently prepare his feelings for the commission of any crime, even murder itself, to obtain possession of it.

To remedy the immoral portion of evil arising from

the existence of specie in the character of money, would be found impossible so long as a people continued to depend on its use; but to surmount that which arose from an inadequate supply they might still have hopes.

If to relieve this inconvenience, they should have recourse to paper-money in the shape of bank-notes, or bills of exchange, they would open the door to frauds of a thousand kinds, praticable in all cases in which a plausible face can be attached to such a note or bill; or where its offer can be accompanied with a tale sufficiently delusive, or so apparently artless, as to impose on credulity. When having proceeded so far as to discover by experience, that neither specie. nor paper-money, nor both together, with all their conveniencies and all their evils, could effectually serve the purposes of their exchange, they should find themselves driven to the necessity of buying and selling on trust, that is on condition of payment at some future period, or on what is called, credit, hoping that the buyer would, at the expiration of that period, be enabled to make a payment, which he could not make at the time of purchase, every seller, in these conditions, would consent to lock up so much of his capital, as the contract amounted to, to place it for that period in a dormant state, and to lessen, by the amount of every such sum, the amount of his active capital. In addition, he would run the risk of being disappointed in receiving his returns in due time, of being subjected to additional and unforseen expences in collecting them, of suffering pecuniary embarrassment, of being plunged into losses, and ultimately subjected to bankruptcy and ruin.

These are evils evidently growing out of the money-system. Their remedy, whenever it is effected, may not

be positively produced by the working of a new system; but negatively by the avoidance of the generating cause, the best remedy, if it can be so called, for evils of every kind when it can be practically adopted.

Now let us suppose that an office for the general liquidation of the mutual claims and obligations of the inhabitants were to be established in the city, in which I am now writing, and let us inquire what would be its immediate effects. I will suppose that ten thousand persons were united and keeping their accounts at this office, that each one wrote out and sent in his list of book-debts, or of such items as he thought proper to include, in the same manner, as we have already seen was done by A, B, C, and others. * In this case, every item against every person whose claims amounted to a greater sum than his debts, would be paid and satisfied, as effectually, as if so much specie, or such an amount in bank-notes, had been advanced for this purpose; and every item against every one, the amount of whose debts exceeded that of his claims, would be so far paid as would be equal to the amount of such claims, while the unpaid portion would stand in account ready to be liquidated, by the first assets that would arise in it. If a portion of these claims lay against persons, residing out of the limits of the locality, the case would still be the same; each item would be carried to its proper account, and effects, similar to those in the other case, would result. If we suppose these claims to amount to an average of one thousand dollars in each account, or to such a sum annually, we shall have an aggregate of ten millions of dollars, thus released from

* See Appendix.

the imprisonment of the ledger, and converted into active capital, all of which would be effected by the simple operation of account, without the aid of money. Thus the ordinary complaint of scarcity of money would be put out of existence, the means of settlement would be rendered easy, the thief would find nothing tangible on which he could lay his hand, the counterfeiter, the forger, the negotiator of fraudulent bills, would find "his occupation gone," and pecuniary embarrassment, arising from the want of an adequate supply in the circulating medium, together with its consequent train of losses, bankruptcy and ruin, would vanish.

CHAPTER X.

BENEFITS OF THE PLAN CONSIDERED—IT PRESENTS A NEW AND SECURE MEDIUM OF EXCHANGE.—ITS QUALITIES ARE SUITED TO THE PRESENT STATE OF SOCIETY—IT IS FORMED OF, AND CONTAINS ACTUAL PROPERTY—IT IS FREE FROM THE RISKS OF SPECIE, FROM THOSE OF PAPER-MONEY—ITS SUPPLY IS ALWAYS COMMENSURATE WITH THE ACTUAL WANTS OF SOCIETY—IT AUGMENTS ACTIVE CAPITAL—PRESENTS ALL THE ADVANTAGES OF BARTER, AND EVADES ITS INCONVENIENCIES.—IT IS FREE FROM GLUT, SCARCITY, FLUCTUATION OR PANIC.

THIS system presents a new and secure means of exchange. To say that all property is of a certain value, that every portion of this property is equal to the proportion which it bears to the whole, that every portion of any kind of property is equal in value to an equally valuable portion of another kind, would be simply to assert certain truisms; such as that one hundred dollars worth of wheat is equal in value to one hundred dollars worth of cloth. Now a good title is equal in value to that property, to which it is the title. If for one hundred dollars worth of wheat, I give away my title to one hundred dollars worth of cloth, I give in exchange what is actual property. If I have a good cash account at my banker's, or a good account current with an

agent who pays and receives my cash, or my credit and debit; and if, instead of giving away my title to this cloth, I give away my title to as much credit in account, it is the same thing. In either case what I thus give to another is a valuable title to actual property. This must be, at least, an equally good, if not a better payment than that made by the transfer of a bank-note to the same amount. The property promised on the face of this banknote or on that of any loose note may be promised on several such notes, or several times over; or in other terms, notes may be issued to several times the amount of the property, which is destined to pay them, and at the winding up of the debtor's affairs, then, and not till then, the deficiency may be discovered. It is not so with an entry of credit in account: here it is the claim to a certain portion of property, whose place is definite in the account, and whose existence is palpably visibly therein. Such property can have no two claimants; it cannot be pledged twice. It belongs exclusively to that particular item, or place in the account, against which it falls, there to be liquidated in preference to all other claims.

This medium of exchange possesses qualities suited to the present state of society. Man, in his present condition, is dependent on labor for the supply of his wants. As he has advanced in civilization and the arts, he has discovered that the power of production is enhanced by the division of labor. In the present state of that division, each one can produce but a comparative few of those commodities which he requires for his use; but of this kind he produces more than he wants: consequently he is necessitated to depend on exchanges. Direct exchange, if it could be effected by barter without inconvenience, would, it has hitherto been thought, be more advantageous to the social

state than any other known. But the inconveniencies of barter render it impracticable. Money has been substituted as a medium of exchange. This artificial means, though extolled because a better has been hitherto unknown, is galling to society, is unpropitious in a a high degree, the subject of oppressive and tyrannical abuse. But by the substitution of money accounts, in the place of money itself, the inconveniencies of barter are avoided, its advantages are recovered, and a medium of exchange is obtained with qualities more suitable to the social state.

In the shape of an account current, tranferrable by order from one person to another, the new plan possesses all the qualities enumerated in chapter 2d. as necessary for a circulating medium.

First. It possesses the qualities which fit it to be received by common consent. as a medium of exchange.

The correctness of this proposition will be more fully perceived as we proceed. Consent might be attached to it by law, or in cases of private association, it might be yielded as a condition between the parties concerned.

Common consent, is usually inferred. At present the materials for a circulating medium receive this consent, not because they actually deserve it, but because, notwithstanding, their many and acknowledged deficiencies, they yet are the best with which we are acquainted or that are within our reach. Hence specie and even bank-notes, with all their deficiencies are tolerated.

The plan of specie, however suitable it might have been to the period of its introduction and early use, is by no means suited to the present state of society and of commerce. If it were possible that we could obtain a sufficient

supply of these materials to answer the demands of our actual exchanges; if this supply could be always at hand and in the possession of all those who required it for such exchange, a state of things unattainable, how could we transport these heavy, these bulky, these valuable, these numerous materials, from one place to another as the wants of trade required? What time and number of hands would not be required to count them? and how uncertain, after all, would be the result? What temptation would their conveyance hold out to the plunderer? What danger to the persons and lives of those whose business it would be to convey them? What a source of robbery, of murder and of national demoralization would it not prove? With respect to a bank-note, in addition to those disadvantages, which I have already ascribed to it, it is simply a certificate of credit for its amount in the books of the banker, transferrable by delivery, and subject to the contingencies of safe custody on the part of the owner, and of solvency on the part of those liable to pay. If either of these conditions fail, the owner loses his property.—If the note be lost or stolen, the claim goes, if it go at all, into the hands of the thief. If it be destroyed by fire, by wreck or by any other accident, the claim is swallowed up by those who ought to pay it.—It is added to their profits, the owner loses it.—If the parties liable to pay it, prove insolvent the claim of the owner is deteriorated by the amount of his loss, trouble and expence.

Such are simply the qualities of a bank-note, as a medium of exchange, exclusive of the public evils of the money-system. Surely, credit in account, which can be transposted, from place to place without bulk or risk, by mere announcement; which affords no practicability, no

temptation to plunder, the value of which, without the labor and difficulty of counting, or the danger of error, may be read with certainty on its face; surely such a medium is better calculated for the extensive purposes of the trade of this day, than specie.

Again, is not credit in account, a title fixed and registered, a claim and title to property, a better, a safer medium of exchange than a bankers certificate, carried loose in the pocket, of the substantiability of which we are uncertain and which is liable to all the contingencies before mentioned?

The second quality, which I have assigned as necessary for a circulating medium, is "that it should contain "intrinsic value within itself, equivalent to the sum for "which it is transferred, as security against the withdraw-"ing of this consent by public estimation." This quality has already been shown. — Therefore I proceed to the *third* quality, namely:

Thirdly. It should be divisible into all those fractional parts, by which diversity of value is expressed. In this respect it has a very decided advantage over both specie and bank-notes. These cannot be divided at all. The fractional parts can be adjusted, only by means of adding to a note or coin of a higher denomination, as many of an inferior denomination, and sometimes inferior ones of a second and third degree, as are sufficient to make the sum required. Still this object, by means of coin and circulating notes, cannot always be effected, although both parties unite to change and interchange for this purpose.

In transmissions of monies to distant quarters, the lower denominations are usually omittted, the impracticabilty of including them being generally allowed. While this inconvenience must be admitted, as attaching to payments and remittances, in money, it must, on the other hand be admitted that by means of credit in account, the most minute fractions, even the one thousandth, nay the one millionth part of a cent, may be expressed and even conveyed, with the greatest nicety imaginable.

The *fourth* quality assigned as necessary for a circulating medium is, that it should be conveniently portable or transferrable.

The quality of portability is necessary, for every thing that is to be carried about the person for use in purchase or payment, to be transferred from the hands of one to that of another, or to be transmitted in such use. In this respect, whatever exists in the shape of paper has the advantage of metals on account of its smaller bulk and less weight. If it be judged necessary to make a payment by means of credit in account, the document conveying that credit, or admitting, or charging the debt, is contained on paper equally portable with a bank-note, and more so than coin, and it has the advantage of both, inasmuch as instead of being passed, like money, by change of hands from one to another, subject to loss and misapplication, it is transferrable by course of account, fitted to the amount and circumstances of the transaction, and applicable to no other purpose. So far it is not only equal, but superior.

The *fifth* qualilty is that, it should be imperishable, both, in its substance and in its intrinsic and estimated

value. A claim cannot perish. It is immaterial and consequently not subject to the laws of matter.

There are two cases in which the value of money may fluctuate. The first is that of fluctuation in the price of the metal of which it consists. The second is that of a fluctuation in the price of the commodity in which it is destined to be expended. Whenever money becomes disused as a medium of exchange, and is superseded by credit in account, this credit, though expressed in the denominations of money; yet being independent of its metallic connexions, will also be independent of the fluctuations of its metallic value. It will be subject to one species, only of the fluctuations of the value of money, namely, those arising from the fluctuation of the price of commodity. But this will affect it in its relative, not in its positive value. The alteration will take place in the price of the commodity, not in the medium of exchange. This will itself remain what it was before, namely the actual measure of value for all other things.

That this medium of exchange is formed of, and contains actual property within itself has been already shown It is also free from that uncertainty of value which may attach to specie. The value of specie is at best, but relative and depends much on the continuance of its use as a medium of exchange. That of commodity is certain and positive. It may vary as the power of production increases; but it must ever maintain a value in use, proportioned, at least to the expence of the labor necessary to produce it. Should specie be discontinued as a medium of exchange, it would become simply a commodity, and its value as bullion, like that of other commo-

dities would be expressed in the denominations of money, and like them would be subject to similar fluctuations. But the value of claims. expressed in the denominations of money, when separated from the idea of coins consisting of a certain quantity of gold or silver, would maintain an unvaried position as a standard of value for all other things.

In the next place this system will furnish to the trading community a vast augmentation of active capital. The truth of this assertion is obvious. When the book-debts of a trader are locked up in his ledger till the time at which, by contract they become payable; they are in fact, so much property lying, inoperative to any good purpose; but when, they are released from that confinement and brought forward to be registered in their proper places, that is to the debit of the debtor and the credit of their owner, they are then used as money, they are converted into active capital.—They serve to pay the debts of their owner, or to replace cash or credit to his account, quite as effectually as so much money; and as every successive debtor may avail himself of the same advantage, each one in succession throughout commercial society comes in for the same advantage. By these means the active capital of society is as much increased as is equal to the aggregate of the various sums thus brought from the merchant's ledger to his account current with society.

The next advantage that I shall attribute to this plan, is, that it presents all the advantages of barter, and evades its inconveniencies. If I am a maker of, or a dealer in cloth, and if for one hundred dollars worth of wheat, I give my credit in account to that amount, which

credit in account I must make good by the sale of my cloth, I exhange my cloth for wheat, although the seller of the wheat may neither want nor take it. The seller also has the same advantage. He obtains whatever commodities he wants in exchange for his wheat. If he wants my cloth he takes it: if he does not he takes my credit and applies it in payment for what he does want. In either case he gets what he wants in exchange for his wheat. We both exchange without having to raise an artificial medium, money, without having to carry about us any bulky commodity in place of that medium, to divide an indivisible thing, or to retain about us a perishable article. In a word we obtain the benefits of barter without its inconvenience.

This medium of exchange must ever be commensurate with the actual wants of society. It must be free from glut, scarcity, panic and injurious fluctuation.

The power of production and the power of exchange, considered in the aggregate of a community, are naturally co-existent and co-extensive with each other. Dependent on the same principles for their origin and their growth, they cannot vary. The power of production is the beneficial exercise of human industry, aided by the best system within human knowledge. This power of production carries with it the right of possessing the commodity so produced; and the power of exchange is the consequent right of transferring that possession to another person, in exchange for what is considered an equivalent. Whenever two persons have commodities to dispose of, they possess between them, both the materials to be exchanged, and the power of exchanging them.

But I may be told that this advantage is lost by the impracticability of barter as a means of exchange, and the

consequent introduction of the use of money. To this I reply that the impracticability of barter does not disturb the truth of the observation. The qualities of the natural power of production, and the natural power of exchange are still the same.—Neither does it follow, that because money has been tried, and has failed to accomplish its end, without evils too serious to tolerate, that therefore the object desired cannot be accomplished by any other means.

In the case of two producers, each one possesses in the commodity which he offers to exchange, a title, equal in value to that which he wishes to obtain from his neighbor: or, in the supposition that he wishes to buy on credit, the seller, who, in form is represented as consenting to wait for money, actually waits for the return of an equivalent title, arising, either from the sale of the same goods, or from some other assets that the buyer is supposed to possess. All this process evidently regards the buyer as a possessor of property, and consequently of the title to it.

In adopting money as a medium, society has not sufficiently kept in view those objects, which, in exchange, it is desirable to effect: it has not sufficiently adhered to the natural model. Instead of simply remedying the inconveniencies of barter, it has struck out into a widely different path, which, though free from the evils of that from which it has departed; yet possesses of its own, those which are equal, perhaps, in magnitude.

While there is a strict conformity between the natural power of production, and the natural power of exchange, and both are limited by the same principles, there is no such conformity between the power of production bringing

forth commodity to be exchanged, and the supply of money for furnishing the means of that exchange. This supply depends on very different principles in its origin, in its growth, and in its limits. From these discordant elements, arise the discordant consequences of exchange by money.

Bankers are not only money makers and money lenders, they are also speculators in money matters and money vicissitudes, as well as in the other concerns of society. They are deeply interested in these vicissitudes. The accounts in their hands point out to them the favorable time for action, and their business as money makers, as money lenders, and as money withdrawers, gives them an irresistible power over the supply. Having the power and an interest in the result, we cannot wonder if they have also the will, to benefit themselves at the public expence.

But as our system of society is of a competitive character, in which each one is allowed, within certain limits, to contrive in the best manner he can for his own interest, we have no right to complain in the banker, of that which we expect from and tolerate in every one else. When self-interest is likely to betray the public good, it is the business of society to restrain it. It is too much to expect that an individual will sacrifice his own interest to that duty, in a game, in which the established rules, have rendered the gratification of that interest lawful. It is to the arbitrary system of the artificial medium, money, a system understood by but few; one which affords so many means of fraud, and requires occasional trials and purifications, which in numberless instances, prostrate, in one common ruin the good and the bad; one in which the banker must necessarily

act a conspicuous part, that we are to look for the causes of these evils.

But when credit in account, which is the title to property of equal value, a title arising with, inseparable from, and co-extensive to such property in time, place, person, and amount, is rendered the means of exchange, these means can never be wanting where the occasion exists which requires them. The general and permanent distribution of property throughout society, the consequent general and permanent distribution of the title to this property, and the rendering of it available as a means of exchange and of payment, would put it beyond the power of any money suppliers, or of any contingency to which society is ordinarily subject, to produce either glut, scarcity, panic or injurious fluctuation in money-affairs.

CHAPTER XI.

CONTINUANCE OF CONSIDERATIONS ON THE ADVANTAGES OF THE PROPOSED SYSTEM. IT OFFERS TO EVERY MERCHANT AND TRADER FREEDOM FROM THE NECESSITY OF GIVING CREDIT AND FROM ITS CONSEQUENT RISK—SECURITY FROM BAD DEBTS—THE AVOIDANCE OF ALL EXPENCE AND DELAY IN THE COLLECTING OF DEBTS—THE PROMPT PAYMENT OF EXISTING GOOD CLAIMS—AND THE IMMEDIATE LIQUIDATION OF SUCH AS MAY ARISE FROM FUTURE CONTRACTS—TO THE PUBLIC GENERALLY A SAFE AND EFFECTUAL SUBSTITUTE FOR MONEY IN MATTERS OF ACCOUNT—IT IS FREE FROM ITS HEAVY COST AND ITS OTHER EVILS, AS WELL AS FROM THE OBJECTIONS APPLICABLE TO A PAPER CURRENCY — FROM THE DANGER OF COUNTERFEITING AND FORGERY — FROM BECOMING BAD BY THE FAILURE OF BANKING OR COMMERCIAL COMPANIES—OF BEING ABSTRACTED FROM ITS OWNER BY TREACHERY OR ROBBERY.

It will, I think, be readily admitted that the points here set down as the subject of the present chapter, are of a most important nature; and that if their object can be effected as there stated, a very considerable improvement in our social and commercial state must follow.

It is an established maxim in logic, that if you remove the foundation, the superstructure must fall; if you remove the cause, the effect must cease.

However important the evils to be removed, they carry on their faces sufficient likeness of their origin, a likeness which proclaims them the children of one parent, the effects of one cause, namely DEPENDENCE ON MONEY. Remove this cause, and its effects must cease.

Dependence on money is that custom of trade, introduced by habit, and sanctioned by law, by which exchange is effected by the twofold process of sale and purchase, and the conditions of every contract, become dissolved into an obligation of payment in money.

This dependence operates principally in three ways.

First.—It obliges us to raise the artificial medium, MONEY, as the means of obtaining whatever commodity we want.

Secondly.—It requires us to keep always about us, or within our command, so much of it, as will enable us to obtain whatever our peremptory wants, either for consumption or for business, require.

Thirdly.—It obliges us, to make our sales on contracts for payment in money, in order that we may be enabled to perform the same duty to others; and as the supply of money is not sufficient to enable us always to make prompt payment for our purchases, it consequently obliges us, to buy and sell on condition of future payment, or for notes of hand, payable after date, and thus to incur all the risks of credit.

From one or other of these causes, proceed all the evils at the head of the present chapter.

With respect to the first and second effects, if no material

were invested, with the quality of a medium of exchange, commodity, services or benefits, of one kind, must be exchanged for commodity, services or benefits of another. But it does not follow, that if the use of money as a medium of exchange were discarded, recourse must of necessity be had to the very inconvenient mode of the barter of commodity, with all its bulk, and all its weight.

If no such medium existed, society would be relieved from the expence of purchasing the precious metals for this purpose, it would be free from the danger of counterfeiting and of forgery, from loss by failure of banking or commercial companies, and from all those motives for plunder and robbery, which the facilities of money, as a circulating medium, hold out to the perfidious friend, to the unfaithful servant, and to the midnight robber. The same qualities that render money eligible as a medium of exchange, its tangibility, its great value, its easy portablity, its readiness of conversion into any thing else, the convenience arising from just right being inferred from simple possession, added to the privacy of its progress through the hands of its successive owners, the difficulty of tracing it, and even of recognizing it, are also the qualities which render it the object of the villain's choice, which not only induce him to prefer it to any commodity; but engender crime in very many cases, where the temptation would not be otherwise strong enough.

With respect to the third effect of this dependence on money; if no credit or trust were given, all the evils which follow in its train would be avoided. There would be no bad debts, no delay, no expence incurred in collecting, no consequent dissapointment and frustration of plans, no litigation for the mere purpose of gaining time, no con-

sequent embarrassment and ruin, but the prompt and immediate payment of every good claim, and every man in trade would enjoy the benefit of his capital to its full amount.

As far then, as we can furnish an effectual substitute for money, and the means of dispensing with the custom of giving and taking credit or trust, or as far as we can make credit safe, so far we shall be enabled, to accomplish the object in view.

While it is admitted on one side, that society is much attached to the use of money, and the practice of credit, it must also be admitted on the other, that both of these customs are productive of extensive evils, some of which have already been pointed out. All the good we derive from them is more than counterbalanced by their evils. Money answers no other purpose than to circulate from hand to hand. It is not the ultimate end of the wants of any one. It is no further required by him, than inasmuch as it is again required of him. The duty which it performs can be performed by the transfer of credit in account, without subjecting us to the evils of money.

The term *credit* is variously applied. If I say such a man is entitled to *credit*, I mean he is a man whose word may be depended upon. If I say he is a *man of credit*, I mean that he is a man of reputation or one who may be trusted in trade. If I say that I will sell him goods, *on credit* to the amount of five hundred dollars, I am understood to mean, that I will deliver these goods to him, subject to a future payment. If I say, that I will *give him credit* for the sum of five hundred dollars, which he has paid me for goods delivered, I mean that I will make an entry in my accounts, which will admit in his favor, that

he has discharged so much of an obligation which was due from him to me. If I say, I will *give him credit* for goods to the amount of five hundred dollars, I use an expression that cannot be understood except by a farther explanation, or by reference to some other part of the conversation which serves to fix its meaning. It may mean either one of two things, nearly contrary to each other; either that I will sell him goods to that amount on trust, thereby *making him my debtor;* or that I will admit the delivery of goods to that amount from him to me, thereby *making myself his debtor.* It may be said that if I offer to sell, I should propose to give credit "*on goods*" not "*for goods*"; but this is a nicety not attended to in the language of trade and is another instance of the latitude of expression connected with the term, *credit.*

By the use of the term *credit* in this part of our subject is meant, that confidence of the community in each other by which they are disposed to buy and sell on a reliance on future, instead of present payment. This credit has been extolled in unmeasured terms, as the means of calling forth the resources and the riches of a country. But it is no agent in the production of wealth, nor is it essential, except under the mistaken notion of the necessity of money for the business of exchange, and then only as its auxiliary. The sources of a nation's wealth, invariably lie in its power of production, the value of which power depends on the fertility of the soil, and the progress of the arts. If to the most judicious disposal of the soil, be added sound principles for the distribution of wealth, and the establishment of a due means of exchange, which must depend, not only on the wisdom, but on the purity of the legislative body, all the means for developing the resources

and promoting the wealth of a country dependent on its government, will be accomplished.

Under the peremptory condition of money as a means of exchange, and the utter incapability of that *means* of exchange to accomplish the necessary *ends* of exchange, as far as the wants of society require, credit, it is true, has been called in as an auxiliary, and in many cases has performed its duty; while in many others it has performed one part only of that duty without the other; that is, it has distributed the productions of industry; but has failed to complete the exchange by bringing back its reward. Thus it has produced almost all the evils of trade.

But if credit be desirable, it should be confined within proper limits; it should be subjected to the following qualifications.

1st.—It should be safe, that is, it should rest on good security.

2d.—It should be certain in its return at the appointed time.

3d.—It should be free from all consequences, injurious to the public.

Not only has the credit to which society has hitherto conformed, been, in the generality of instances, devoid of these qualifications; but the overwhelming force of custom, has, in very many instances, either driven or betrayed the most prudent commercial men into numerous errors. It has rendered their actions, in many instances unavoidably random. The difficulty of forming a correct judgment in all necessary cases, has been too great for any head, ordinary or extraordinary, to surmount.

The present mode of credit is injurious to individuals In all those cases in which, from insufficiency of security, or the want of return in due time, it occasions loss to the creditor. It is injurious to the public, when produced to a superfluous extent, and when, being merely credit, it assumes the shape of real capital, and becomes charged to the public in an enhanced price of commodity. Under the present condition of payment in money, the consequent necessity of credit, and the unavoidable insecurity which follows, it is impossible to confine credit within these limits. How far this object can be effected under the proposed plan I shall proceed to enquire.

Parties to accounts of credit may be divided into three classes.

1st.—All those persons who have claims due *to* them from their debtors, exceeding in amount the claims due *from* them to their creditors.

This is the case with most wholesale dealers, and substantial retailers. In the present state of settlement by money, such persons, though constantly paying their creditors, are yet as constantly indebted to them by the progress of business, in which their money is continually passing through the hands of their debtors, and which they must always lie out of, till these debtors raise it for them; during which time it is subjected to all the risks of trade, and generally with no other means of judging of the responsibility of the debtors, than those afforded by common reputation.

By the proposed plan, all claims against these persons would be paid in account, and the favorable balance on

that account would be equivalent to cash. Such part of that balance as was made good by the accounts of their debtors, would be completely and finally paid, and subject to no further contingency, and that part of the same balance, which was formed by claims upon those whose accounts had not sufficiently progressed to reach the item by which they claimed, would be paid also, subject however to the contingency of responsibility only, on the part of the creditor, till that item was passed in the debtors account.

2d.—This class will consist of those who, though good in point of responsibilty, are yet in the habit of taking credit beyond the extent to which they give it, and are consequently debtors to the general balance.

These people are generally trusted on the security of property which they are known to possess. For the purpose of security, this property should be entered and attached to the account, the creditors for the time being, always having a lien upon it in case of necessity.—Such an account would be secure to a certain extent; an extent that should always be safely within the value of property. As this value and amount of claims upon it would always be visible, there would be no difficulty in ascertaining when that extent became exceeded.

In the progress of account on the proposed plan, the people of this class would have the same benefits as those of the first class.

When I come to treat more particularly on the subject of banking, I shall endeavor to show by what means

persons, who possess property, suited to the purpose of security, may be freed from the present objectionable system of mortgage, and placed in a situation in which they may enjoy pecuniary accommodations without being subjected to the payment of interest.

3d.—A third class of persons will consist of those, who have no property to furnish security for the debts which they owe, or may contract.

To give credit to such persons, though an act of kindness, or in some cases, even of policy, is not the regular act of business; consequently it is not the duty of this work to provide security for such a case. But in practice, such persons would be entitled to the benefit of an account, according to their circumstances for the transfer of their assets, leaving their credit to their merits. They must be either honest or dishonest. To which of those classes they belong, the state of their account would soon show. There are few persons who suffer more by the operations of the money system, than the industrious mechanic does, from the frequent incapability of his employer to pay him, in due time, those wages which are to provide for his weekly sustenance. But this is not always the fault of the employer. In general both are sufferers from the same cause, namely, the tardy circulation of money. This case would be immediately remedied by allowing the workman the power of taking credit for what was due to him, and of carrying that credit to the payment of his expences, or the purchase of the commodities which he wanted. By such means he would become entitled to the same benefit in account, as was enjoyed by others, he would be placed

above the influence of the scarcityof money, and would be enabled to make his purchases freely, and to the best advantage. It seems almost needless to add, that while such were the benefits extended to the poor, but honest man, the designs of the fraudulent would be discovered and defeated, his trade would fail, and he might be left to exclaim, "Othello's occupation gone."

While credit by the present system is almost devoid of those qualifications within which I have assigned its proper limits, it is, I think, by the plan which I have proposed, rendered subservient to them. It cannot, as I have already observed, be desirable, in a public point of view, the only view which we are justified in taking of it, except as an auxiliary to the circulating medium, and then only in case that medium be insufficient to accomplish its end without its assistance. If we invest all property, with the qualification of a means of exchange, at the request of the owner, as well that which is destined for exchange, as that which is not, making it transferrable in the state of credit in account; if we roquire that as any portion of that property becomes disposed of, its value shall pass in account to the creditors of the seller, in the order in which they are properly entitled to the satisfaction of their claims; that so long as those debts remain unpaid, the undisposed part of that property shall stand as security for the creditors, we create a means of exchange fully sufficient for the wants of society, sufficiently secure, immediately returned, and by its nature confined to its proper object.

Money is but the artificial means of overcoming an artficial obstacle, placed in the way of exchange. Initiated into the use of money, the reader will perhaps smile to hear money designated as an obstacle to exchange; but

what is at one period, and under one set of circumstances a facility, may at another period, and under other circumstances, become an obstacle. As the child outgrows the rickets, the facilities which were contrved to assist his movements in the period of his weakness, become fetters to his future exertions. As the lame man recovers the natural use of his limbs, the crutch, which till that time supported his tottering frame, becomes an obstacle to his future actions, and is necessarily thrown aside. Such is the case with money as a means of exchange. In the ruder periods of society, when the inconveniencies of barter were felt in practice; when few could read or write, and a still smaller number could understand the process, or the effect of an account current, the plan of receiving in exchange for commodity, something tangible, portable and apparently of equal value, was suited to the condition of mankind. But now that society has become enlightened, when trade and commerce have passed their infancy, when the capability of reading and writing, and the knowlédge of figures, and the keeping and understanding of accounts have become common, the tools of its infancy are no longer suited to the maturer age of the commercial world. If the lame man, after his recovery, adheres to his crutches, he must be confined to the pace at which they will allow him to move. If society, in its improved state, confine its operations to the condition of money, it must remain subjected to all the evils, which that condition imposes on it.

Under the influence of the money system, that portion of the supply, which enters into the transactions of the multitude, is always far below the demand. On this account those classes are left to struggle continually with difficulties. On ther other hand, that portion of the supply which is con-

tinually confined to the sphere of the wealthier classes, and which by them can be fabricated almost at their pleasure, is as continually above the demand required for any legitimate purposes; consequently, it wanders in search of employment unfavorable to the public good, and delusive even to its owners. Such is the condition to which our artificial medium has, at length, arrived. The new plan proposes to remedy these evils, to furnish a means of exchange, more effectual in the performance of its proper duties, and to confine it to that duty, by forming it of an attribute of the property which it is destined to exchange, to which it will be always equal, and to which it must remain inseparably united.

The system of money whatever might have been its merits at the period of its introduction, is, at the present time and in the present form of its use, far more suited to the purposes of fraud than those of honest utility. All the salutary purposes which it is capable of effecting as a medium of exchange in commercial affairs, can be better effected by the operation of account current; while by the same method its evils can be avoided.

If by means of an account current, we enable every man to take credit, at once, for his claims upon others, which would, in fact, be equivalent to collecting this whole amount, we also do away any necessity which he may plead for running in debt; or if those which he claims are not equal in amount to those, which he owes, we leave him indebted in the surplus only; and this with the understanding of his creditors, to which circumstance they may either assent or dissent by their future continuation of account, a state of things however that the state of trade does not require, and which, when granted, would be granted by favor. Such a system of account would afford security from bad

debts; freedom from the general necessity of selling on credit, and from its consequent risks. It would furnish the means of obtaining prompt payment for existing good claims and in its progress would afford the means, of effecting the immediate liquidation of the obligations of future contracts. The credits of account, neither removable in private, like money by their tangibility, nor honored by their accidental presence in the hands of a stranger who merely declares himself their owner; but tracable in the true history of their progress, which cannot be falsified; and moveable only in their legitimate channel, would be out of the reach of the perfidious friend, of the unfaithful servant, or of the unprincipled robber. Whilst the account afforded a safe and effectual substitute for money, free from the cost and the other evils of both specie and paper-money, it would prove, in the hands of a commercial people, a powerful shield from the effects of fraud.

CHAPTER XII.

THE CURRENCY—DIFFERENCE IN INTERNAL EXCHANGE—ALLEGED CAUSE—BALANCE OF FOREIGN TRADE—VALUE OF THE DOLLAR—MANUFACTURING CHARACTER OF ENGLAND—TRADE OF LONDON—ITS BANKING BUSINESS—THOSE INSUFFICIENT—PRODUCTION PAID IN PRODUCTION—CUSTOM-HOUSE ACCOUNTS AND COURSE OF EXCHANGE—NO CRITERION TO THE CONTRARY—FATE OF BILLS OF EXCHANGE EASTWARD—INJURIOUS TO THE WEST—REMEDY IN EXCHANGE BY CREDIT IN ACCOUNT.

THERE is an opinion prevailing that the foreign trade of the United States, is against them; that is to say, that the value of their imports exceeds that of their exports, and that in consequence, a balance is constantly payable to foreign countries. Hence, when a proposal is made to effect a settlement of commercial claims without the aid of money, a difficulty is thought to exist in the unequal amount of the claims inwards and those outwards, and the want of means for settling the balance. In addition to this difficulty, the constant balance is thought to create a constant flow of money from the western to the eastern states and cities, to create a correspondent deficiency of balance westward, and to produce what is call-

ed a difference of currency in the internal parts of the Union, always in favor of the eastern states. Hence, the probability of a further difficulty in reconciling this difference, is anticipated.

As both these difficulties are attributed to one cause, namely, the balance of foreign trade, I shall hazard a few observations by way of inquiry into the existence of that balance. As it is a subject to which I have not turned a great deal of attention, I shall confine myself rather to some reasonings on it, than to any relations of its historical details, and I shall be glad to see the subject amended by more able hands.

There are some circumstances in existence which favor, what I am disposed to call, this error. Of these, the first which I shall notice is the depreciated value of the dollar. It is well known that in their money relations with foreign countries, the United States exchange by the dollar. The value of this coin, when at par, is set down in English money at four shilling and sixpence sterling; but its exchangeable value varies with the price of silver, the metal of which it consists. England exchanges by the pound sterling, and the value of its currency depends on the price of gold. For many years past, the dollar has been on sale in London, at as low rate as four shillings and one penny, or four shillings and two pence sterling, including the exchangers profit. In the mean time the English pound sterling was made current in the United States, by act of Congress, at four dollars, forty four cents and a fraction, at which rate the dollar was made to correspond to the par price of four shillings and sixpence, or rather, the pound sterling was reduced to the depreciated value of the dollar.

But the law of congress, though it fixed the price at

which the English pound sterling, or the sovereign, should be a legal tender in the United States, was yet not sufficient to render that rule a standard for the settlement of accounts, between the merchants of the two nations. The value of the silver dollar was well known by the merchants and brokers on both sides, and the merchant in the States could not obtain a bill upon London whitout allowing the real difference in the value of the coins. In this state of things all the excess of value in the pound sterling, over the congress-price of four dollars and forty four cents, instead of being considered the actual difference in the value of the two kinds of money, obtained the name of *premium*; and an idea prevailed, that it was, in reality, a bonus, given for claims on London, on account of the demand arising from the balance due to England. Thus a bill upon London for one hundred pounds, rated at a premium of seven pr. ct. would bring in New-York, four hundred and seventyfive dollars and eight cents, while the same bill, on its arrival in London, would purchase four hundred and eighty dollars, at the broker's selling price. Hence, while the seller of such a bill, unacquainted with the actual state of the currency of the two countries, thinks he is enabling a merchant to pay his balance to London, at a sacrifice of thirty one dollars and eight cents, and is receiving this sum as a bonus to himself, he is actually losing four dollars and ninety two cents by the transaction, over and above what will pay the London broker for furnishing the dollars.

But the usual buyers and sellers of such bills, are not those who are unacquainted with the currency. This is generally understood on both sides. Still, though the policy of the two countries may justify these proceedings; and the seller of the bill alluded to, though unac-

quainted with the state of the currency, may yet be fairly dealt with, inasmuch as he is allowed all the benefits which the market affords; yet the common impression arising from such transactions is, that the premium granted, instead of being the difference in the value of the money, is a bonus, the effect of a demand for English money, occassioned by a balance due to that country.

The manufacturing character of England, and the great trade of the city of London, are other circumstances which have some effect in giving a color to this opinion. All vessels trading to and from London, necessarily carry there a greater bulk and weight, than they can always get to return with. The immense population requires very extensive supplies of provisions, and the manufacturing character of the British nation attracts, not only to London, but to other British ports, great quantities of raw materials. Both these kinds of commodity are coarse, heavy, bulky and of comparatively small value; while manufactured goods, which must principally be taken in return, are lighter, and much more valuable. In these circumstances, every master of a vessel, though he can easily obtain freight for the voyage there, may have some difficulty in obtaining an equal weight to return with; and rather than return in ballast, or partly so, may be disposed to hold out some inducement to the merchant to enlarge the freight homewards. Hence, if there were no permanent principle to check it, might arise, a balance of trade, as it is called, in favor of the manufacturing country. Of late years, this inconvenience has been somewhat relieved, by the tide of emigration, which has set in from the shores of Europe to those of America,

and perhaps farther, by an extensive demand in America for some heavy European articles, such as iron for rail roads, and some other coarse purposes. In this view of the case, we see there may be some difficulty in accommodating the concerns of the merchant, whose dealings each way, are confined by equality of value, with those of the master of the ship, whose benefit consists in equality of weight, except where deficiency of the weight or bulk on one side, is supplied by some other advantage of equal value. There is, however, no question which of the two must give way. The equality of value in the merchant's dealings must be maintained. If the state of trade render the supply of freight both ways unequal, the master must be indemnified in price. But such a circumstance will always create a disposition to enlarge as much as possible, the lighter and more valuable freight. These observations are not intended to apply to evey merchant, or to every ship; but I shall hereafter give my reasons for applying them to the aggregate of merchant's dealings.

Such are some of the circumstances, growing out of the connexion of England with foreign countries; but in the internal connexion of the different portions of the empire, there is another and a more important principle in operation; one, which, though it does not, in reality, affect the United States, must yet have made considerable impression on the habit of thinking, and on the minds of those who have, either latterly or formerly, been influenced by the commercial habits of England. London is the centre of the money transactions of the British empire. In order to maintain its due share of credit and business in the general competition, every banking-house in England is required to render its notes payable in London. Eve-

ry commercial house, every trading company, every dealer of respectability, who issues notes or after date bills in payment, is obliged to have a banker or agent in London, with whom they must be payable. Such also is the case with most, perhaps I may say all, merchantile houses and very many individuals connected with its colonial and foreign possessions. Hence, that city becomes the place where money is more valuable than in any other portion of the kingdom. Hence, every thing not payable in London, small notes of one or two pounds excepted, which are usually cofined to local circulation, is considered as deficient in respectability. Every thing payable there, from whatever quater it may have been issued, if it be the paper of reputable parties, is available for general circulation, because available for London business, which is the business, of every part of the kingdom. Each person and each banker in the country secures all the notes and due bills of others that he can lay hold of, and sends them to London to be made available, for the payment of his own.

This money, being money on London, where a great portion of the most extensive importers and wholesale houses are established, is also well suited for commercial remittances, either to that place, or to the trading ports and provincial capitals, from whence also it soon finds its way to the common place of payment.

The materials, which supply London with the means of discharging the duties of its banking business for the country and provincial parts, form a considerable portion of the load of a varying number, at present about thirty, mail coaches, which daily arrive, and are discharged at the General Post-Office, from about six till eight o'clock

in the morning, in a short time after which, they are in possession of the bankers and merchants for whom they are destined. They consist, first of bills of exchange, drawn by bankers and others on London, and sent for acceptance, to be returned or not, as may suit the convenience of the sender.—Secondly, bills of exchange, due and sent up for payment.—Thirdly, bank-notes payable in London, on demand. The transmission of specie, whenever it occurs, is an especial case.

The business of the London bankers is principally that of agency. In addition to this they generally keep their brokers, and do some business in the stocks, buying and selling as inducements offer, or as the state of their cash concerns require. Except the Bank of England, no London bankers issue notes. As agents they keep the cash of others, and pay it out on commission. Such an account as their friends keep with them, these bankers keep with the Bank of England.

A bill for acceptance, is presented at the residence, or place of business of him on whom it is drawn, left there that day, and called for on the next. If accepted, it proceeds on its course. If not, notice should be given to the last endorser, and according to strict law, to each preceding one, backwards to the drawer. It may be protested or not for non-acceptance, at the option of the holder.

Bills for payment, if accepted by bankers, or referred to them by acceptors with whom they have an account, are carried, on the evening of each day, to what is called the clearing house. This place is attended by an agent of each banking house. Each one of those agents receives such bills as are accepted by the house he represents, de-

livers such as he has upon them, and pays or receives an order on the bank of England for the balance.

Bills not payable at banker's, are presented at the house or place of business of the acceptor, unless they be especially referred to another place for payment. Specie or Bank of England notes, being the usual currency of London, are received in payment. If not paid, a note is left describing the bill, and naming the house at which it will lie till five o'clock in the afternoon of the same day If by that time it is not paid, it is then placed in the hands of a notary public, who again presents it, the same evening for payment, subject to the addition of the notary's fee. If not then paid it is returned to the banker's or owner's where it lies, till the evening of the following day, when it is returned by post to the last endorser, if the confidence between the parties be sufficient. If there be a want of confidence, notice only is sent.

Country bank-notes, or orders on demand, though payable in London, obtain but a very limited circulation in its currency. They are not usually received in payment of bills of exchange. They are therefore presented at the place where payable, and exchanged for specie or notes of the Bank of England, which are available for both London circulation, and the payment of bills of exchange.

While this busy and expensive process is going on, in both London and the country, the currency of both places remains the same. None of the permanent elements of business are drawn out of their proper places. The specie and the Bank of England notes, the elements of exchange in London, after having there performed the business of one day, remain in the hands of the bankers ready for that of the next. The country bank-notes, which are

destined, not only to form the circulating medium of the country, but to perform constant passage to and from London to perform duty there also, being paid without being disfigured, are returned to the drawers to be re-issued, while a further portion of them are collected and sent to succeed them in the performance of the same duty. The constant succession of new circumstances and new transactions, and the inevitable renewal of accommodation paper, create a new succession of bills of exchange, to supply the place of those which have already been paid and cancelled, which in their turns are subjected to the same routine, and by those means the same course of business is daily repeated. Such is the nature of the banking business performed in London for the provincial part of the kingdom. It evidently accounts for a difference in the value of money between each of those parts and London. Still the difference is but trifling. It is probable that any sum of money, sufficient for the notice of a banker, would be paid in London, postage and insurance included, at a rate not exceeding one half per ct. or ten shillings in the one hundred pounds, from any part of England, or varying downwards, in proportion to the proximity of the place to London; and that in general cases, money paid in London to the credit of a country banker, would be refunded by that banker in the country without charge at all.

There is no data to ascertain the amount of money thus turned in London; but with the London business, which is done at the same time, in the same manner, and by the same parties, it must amount to several millions of pounds sterling per diem.

In describing this process I have gone the more into detail, in order to inquire how far the flow of money to Lon-

don, which prevails in the British dominions, and which must be felt by all who participate in the British trade, would favor the position of a balance of trade, constantly accumulating in its favor against all other places, and consequently against the United States, and also, if in the existence of that flow, there was any thing to justify the custom of attaching to the money of the western and southern portions of the Union, a depreciated value, as compared with that of the Eastern.

It has already been shown that what, in the United States is called a premium on bills on England, instead of being what it is commonly understood to be, a bonus on such bills arising from the necessity of transmitting to that country a balance continually growing up in its favor, is nothing more than the difference in the actual value of the two kinds of money; and that though in the character of the exports and imports of England and America, there may be a strong inducement to ship owners to import into the latter a greater value than that which they export; yet this inducement is no proof of the fact, nor can it even be admitted as a presumption, if I show, as I mean to contend, that such a state of things, as a constant balance against any one country, cannot exist. It will, I think, also be admitted, that in the causes which I have exhibited for the constant flow of money to London there is nothing to confirm the idea, that a balance of trade is constantly accumulating in its favor, or in favor of England against any foreign country; or that the trade or currency of the United States, as affects their internal condition, is at all connected with the internal flow of money in a foreign country.

That any one country can carry on a trade with foreign

countries, in which the balance arising shall be constantly for, or constantly against it, seems to be an impossibility. This opinion, though the result of theory, yet seems to admit of evident proof. Such a balance may possibly be the result of one period to be corrected by another; or, it may arise in the trade with one country, to be corrected by the trade with another. But, a continual trade, in which the balance shall be constantly one way, is not in the power of any country to maintain, by any commercial system.

A country may, in some cases, import the productions of foreign countries to a greater value, than that to which it exports, provided it import, if so it may be called, the owners also af that production. But this amounts to immigration. It belongs not to the commercial transactions of merchants, nor can it be considered as a portion of the trade. It may help to form the freight of ships, but it does not affect the amount or balance of trade.—It wants the essential characteristics of commerce. It has no purchase, no sale, no exchange. It requires no return, no payment, no reciprocity of any kind.

It is a peremptory law of commerce, that every commodity, or every portion of production received, shall be returned in something of equal amount in value. The effect of this peremptory law shows itself first in an individual.—No person can, in the way of trade, obtain the production of his neighbor, without either furnishing, or engaging to furnish him, with an equivalent. If the receiver of this production, become incapable, or fail to comply with his contract, it becomes an exception to the general rule: it is no longer within the case. If he comply, the balance

of trade on each side is equal. The amount of value received, and that of value delivered, must be equal on each side of the account. If this amount of value received and value delivered, be equal, on each side, in the case of one individual, it must by the same rule, be equal in every individual so trading. If equal in every individual, it must be equal also in any aggregate number of individuals, inhabiting any particular city, or district, or country, to any extent, great or small. Hence, it appears that the United States as an aggregate of individuals, cannot obtain from foreign countries, a greater value of production than what it can pay for in the surplus produce of its own; nor can it deliver to these countries any greater share of its own than what they can pay for in theirs.

But I may be told, that this doctrine is contradicted by existing facts; that the circumstance of America being constantly obliged to remit bills to England in payment of a balance, is a proof that such a balance exists. In order to narrow the ground of dispute on this objection, I will consider the city of New York as representing the trade of America—and London that of England. I then ask. "How is the transmission of a bill from New York to London to pay the balance? In answer, I shall be told, it will pay it by the transmission of credit. But this answer mystifies, rather than clears up the question. If the bill transmits credit, it also transmits debt. While the merchant of New York is credited by his London correspondent, for the amount of it, the New York drawer is debited by his correspondent in the same amount. The debt is removed from the shoulders of one person to those of another; but between the two places noth-

ing has been effected. They stand as they stood before, New York still indebted, London still the creditor.

Again, I may be told, that the drawer of the bills has funds in London, with which he can pay. The question is, "How do those funds arise? do they arise in the trade between England and America? If so, they form an item due to New York, against the item which is due to England. They ought to be included in the general balance, in which case the two accounts will pay each other without leaving any balance at all. If they do not arise in the regular trade of the two countries, they must arise from some accident upon which no calculation can be made, and which never can serve the purpose of paying a balance arising constantly and with certainty.

Perhaps it may be said, that by means of emigration from Europe to America, much property, the property of emigrants, a great portion of which is money, is brought over also, or becomes due to the United States, because due to the people who come to settle in those States, and that this circumstance enables America to draw on Europe, to that amount.

This is the case already reserved, the only case in which a surplus value of production can be imported to that which is exported. It may be received in three forms,—first in that form of commodity in which the emigrant possesses it, and in which he determines to import it, together with himself—secondly, in that of the money which he possesses over and above such commodity—or, thirdly, in the commodity which he may enable a merchant in the States to buy, with the proceeds of his money. There are several ways of disposing of this

money for this purpose—first, he may bring it over in the shape of specie, which specie may afterwards be used by the merchant in the States in the purchase of European goods, or, secondly, he may leave his money in Europe, and on his arrival in the States, may issue a bill for the amount enabling an American merchant to make a similar purchase—thirdly, he may exchange his money, in the country from which he comes, for a bill on the United States, which will enable the payer in the States to issue another upon Europe, in purchase or in payment of goods to the amount.

Thus, it is true, that under the influence of immigration, a greater amount of value in the produce of foreign countries, may be imported, than that which is exported of the produce of our own. But as the money of the immigrant is expended and imported in foreign productions, either by himself or by the merchant to whom he disposes of his bill, this after all amounts to no more than the importation of the immigrant and his property. But this is not the effect of any commercial contract, sale or purchase, and as it requires no equivalent return, so, does it establish no balance of trade, nor does it form any item of account in the dealings of the two countries. Consequently, it is no part of the commerce of either. But if we take into our account the importation of the immigrant and his property, the effect will be against, rather than in favor of, the argument which it is intended to support. Instead of creating a balance in money due from the States, it would tend to create one in its favor. The money of immigrants, following them, as their property, would be so much money continually becoming due to, and in favor of the

States; and the bills which were necessary to draw this money from Europe, would supply the American cities with claims upon Europe, over and above the mutual trade of the two continents, and deducting from any balance due to Europe, or adding to that which was due to the States, would tend to the creation of a discount, rather than a premium on such bills.

It is however evident, that if the balance of trade could be paid by bills on Europe arising from the transit of the property and claims of immigrants, it would then be no balance at all; it would be simply the admission of the immigrant and his property, in addition to the importation and exportation of merchandize of equal value. If then there actually be such a balance, and it be payable or paid in bills, those bills must rest on some other basis. Shall I then be told that the payment of this balance is effected by the operation of banking business, which is calculated to supply, any pecuniary necessity which can arise?

With those who adopt the opinions of others, such an idea may prevail; but that it should ever be adopted by thinking men, seems almost a matter of doubt. Where there is a flow of money both ways, bankers may accommodate the wants of each party by those of the other. By having an establishment at both ends, and by granting a bill each way, their money remains where it was, and their funds want no replacing. In this case there is actually no balance due to either country, the items balance each other, and the business of the banker or broker, who is applied to by both parties, serves to discover the places from which they originate, and those at which they end.— But where a national balance is al-

ways one way, bills of exchange as was before observed, are powerless. If drawn by the indebted country there can be no funds in the other to pay them, but what must be created by the drawer for this purpose. These funds must be created, either by the exportation of merchandise, of specie or of bullion. If by merchandise, they are a part of the trade of the two countries, they are production paying for production, they should be included in the commercial account, and consequently will balance each other.

If these funds be created by the exportation of specie, this specie must either be the production of the country from which it is sent, or it must have been obtained in exchange for its production. In the first place it is production paying for production, thereby making trade balance trade; in the second, it is the proceeds of production, or production in its exchanged state, doing the same thing. But if paid in specie, in what coin must it be paid? Neither the dollar nor the eagle of the United States nor the dollar of Spain or Mexico will circulate in England. When these reach that country, their market is the broker's. There they are articles of merchandise, esteemed according to the value of the metal of which they are composed, and subjected to the expence of sale and purchase as merchandise.

Again, the annual amount of the debt is stated in round numbers, at ten millions of dollars.—The amount of specie in the United States is under one hundred millions of dollars.—If then such debt be paid in specie, the States must be drained in ten years.

If it be paid in bullion, it would still be paying in production, inasmuch as bullion, like specie, must either be

the produce of the country, or must be obtained in exchange for that produce.

Upon what assurance then does this statement of a continual balance of trade against the United States, rest? The books of the custom house, and the course of exchange, are generally considered, the criterions from which this circumstance is inferred. The custom house accounts are very uncertain guides in this case. In the assemblage of merchandise continually passing and repassing under the eye of the custom house officers and particularly as respects the imports, the regular importations of merchants, which enter into the accounts and balance of trade, are intermixed with the property of immigrants, which have nothing to do with such accounts and balance. Between these things, the books of the custom house, do not profess to make any distinction. The only question they have to determine is, what is merchandise and what is not; that is, what is destined for sale, and liable to be charged with duty, and what may be considered as personal to the immigrant, and exempted from such charge. In this respect also, their distinction is very imperfect, goods of one description being frequently regarded and entered as goods of the other. In the matter of value, also, there is enough of inaccuracy in the books of the custom house, to prevent them from being properly considered, as a sufficient criterion of the comparative amount of the imports and exports.

With respect to the course of foreign exchange, we have seen, in the case of the dollar, that what is called a premium on bills on London, affords no assurance of this balance; we have seen that it is nothing more than the difference in the value of the two kinds of money. Such bills

may be in demand, not because there is a constant balance of trade against the United States, but because payment can be made to other countries, by means of bills due in London, and because, also, the purchase and negociation of such bills, afford a profit beyond what is paid for them, notwithstanding the profession of premium as paid in the price of them; neither will the equality or inequality of the weight and bulk of freight, in vessels leaving the British ports, as compared with that which they carry inwards, afford us any such criterion.

With the banking business, and money transactions, of the city of London, the United States have nothing to do. Their merchants are not in the habit of issuing and reissuing bills of exchange upon that place; nor are they engaged in a course of accommodation paper payable there. If they participate in the accommodations of the Bank of England, or of English discounts, it is simply an anticipated payment for further exportations, neither requiring a return of money to England; nor involving the States generally in their speculations. In their mercantile transactions with London, they are governed by the same rules which govern them in respect to other places. If they have claims on that city, they can draw a bill upon it, available to the payment of debt in any other place. If they are indebted they can pay that debt by means of a bill on the place from which they claim.

But it is evident that no nation can pay in bills of exchange, a balance of debt, constantly and generally accumulating against it. Such bills, leave the debt in the same country as it was in before, and must be paid in merchandise, in specie or in bullion, in either of which case the balance is actually paid in production. It is consequently

production paying production, without leaving any balance of trade. But if it be true that this constant balance of trade against the United States really exists, if it operate to create a premium on all money payable eastward, and a discount on all of the west, and if it be the cause of the difference in the value of money, it may be worth while to inquire if we see a correspondent effect in operation throughout. Let us begin with the most westerly point, and observe the effects and the fate of bills of exchange as they proceed easterly, in order to see if that effect be conformable to the profession.

If then beginning at Cincinnati or St. Louis, I want a bill on New-York, and must purchase one on that city, at two per cent premium, I pay one hundred and two dollars for a bill of one hundred, payable at New-York. When this bill reaches its destination, my correspondent there gives me credit for its real value, one hundred dollars. By this transaction I lose two per cent. The cause alleged is, that the balance of trade is in favor of Europe, and the east, that money must be sent there to pay this balance; and that, therefore, it is the more valuable and commands a higher premium, in proportion as it approaches its destination. Let us, as we proceed, examine how far this last allegation is borne out by circumstances.

Being then in New-York, I have occassion to remit to my London correspondent, one hundred pounds sterling, and am told that to obtain a bill on that place I must pay a premium of seven per cent. Consequently, for my bill on London I pay thirty one dollars and eight cents for what is called a premium, in addition to four hundred and forty four dollars, the value of the bill at the par price of the dollar. Thus the bill and the premium make together

four hundred and seventy five dollars and eight cents. Now as I was required to sacrifice, in a payment from the western city to New-York, the premium on my bill, which in that case was two dollars, on account of the balance of trade, and difference of exchange; so being still in the same channel and under the influence of the same cause, I must expect that on the arrival of my bill in London, it must, like its predecessor in New-York, be divested of its premium, and bring me so much less in its price. This it certainly must do, if the doctrine of a constant balance of trade, and a consequent difference in the value of money be correct. But such, I find is not the case. When my bill reaches London, the one hundred pounds, which it commands, is worth in that market at least, four hundred and eighty dollars, after paying a broker for exchanging it, who will charge me about two per cent. for that duty, a sum which at once assures me, that although I have paid a real expence, in the shape of premium on my bill on New-York, I have sustained no such expence in my London bill; but that it has realized to me the full amount which I have paid for it. premium included.

Again, if, leaving the western cities for New-York I carry with me my one hunderd and two dollars in specie, I save an expence of two per cent; or in other words, I gain that two per cent; but if, leaving New-York for London, I carry with me my four hundred and seventy five dollars and eight cents in specie, I find, that of the Broker to whom I must apply to convert my dollars into English money, I can obtain but 96 £ 19s.—10 d. sterling; so that, if when at New-York I had bought a bill on London, at what is called a premium of seven

per cent, instead of this premium being an expence to me, as in the case of the western bill, I should have gained three per cent.

The fate of the bill on New-York evidently shows that the money of the western States, is actually subjected to a discount; and the cause assigned is the balance of foreign trade, which balance is inferred from the custom of a premium obtaining on foreign bills. But the fate of the bill on London, shows as evidently, that no such premium exists. Now if the existence of a cause be inferred from the existence, or the supposed existence of its effects, and, upon investigation, it appear that such an effect does not exist, what becomes of the cause? If the effect of a balance on foreign trade be inferred from the existence of a premium on foreign bills, and if it appear that no such premium exist, what becomes of that balance? Certainly it vanishes.

As it does not appear that there are any sufficient data on which we can establish this doctrine of the existence of a foreign trade, continually producing a balance against the United States; nor does it appear that there are any means of paying such a balance, if by any possibility, it could be brought into existence, we are thrown back on the principle already laid down, namely, that as the fundamental law of trade requires every individual to make a return of equal value, to the person from whom he has received any commodity, and thus equalizes his receipts with what he sends away; so must the same principle attach to every body of persons in the aggregate, whether we apply it to the people of a whole country collectively, or confine it to those of any division or subdivision of a country. It matters not whether the return be made in

raw material, in manufactured commodity, in specie or in bullion; a return of equal value is indispensable in commercial transactions and must obtain, however much it may be disguised by the interference of money, and bills of exchange.

If this doctrine be true as far as it relates to the trade the nation, it applies with equal force to the several States of the Union, and also to any and all of their subdivisions. It matters not, whether the individuals contracting with each other be residents of the same, or of distant neighborhoods; the equality necessarily required between individuals, will regulate the equality between the several places in which those individuals reside.

Hence, there can be no obstacle to the settlement of account by the plan proposed, namely, the transfer and transmission of credit in account, either in the case of nations, of divisions of nations, or in that of smaller localities. Although it be true, that while the idea of a foreign balance, is visionary, the difference of exchange created under that impression, against the western States, is no less real and injurious to the western merchant; yet the difference in the currency will be remedied by the operation of the plan. By effecting remittance, by means of transfer of credit without preference to any particular places, it would subject all places to the same rule, it would equalise the value of money in all parts of the Nation, from the nothern lakes to the Gulph of Mexico, and from the eastern ports to the western extremity of our population.

CHAPTER XIII.

BANKING BUSINESS—ITS BENEFITS OBTAINED BY THE PLAN—THESE EXCEEDED—ACCOMMODATION ACCOUNTS UNIVERSAL—THE MEANS OF PROMPT AND GENERAL COLLECTION—EVERY MAN HIS OWN BANKER—ACCOMMODATION WITHOUT INTEREST—MEANS OF EXCHANGE SAFE AND SUFFICIENT.

THE benefits of the banking business, apart from its evils, may be considered as of three kinds—First, a banking account is furnished to some members of society, with a place of deposit, for their spare cash, commonly considered safe, and some accomodation in the way of loan or discount is rendered.—Secondly, some mere permanent accomodations are granted in the way of mortgage on valuable property of some kinds; and, thirdly, in the issues which are thus made, an enlargement is furnished to that circulating medium which of itself is insufficient for the exchanges of society on the artificial plan of money; an enlargement, which affords relief to the community, and, it is said, gives energy to human industry, and calls forth the otherwise latent springs of the wealth of a country.

Now it is evident that the plan proposed, must answer all

these ends, much more effectually than the system of banking, and without that admixture of evil which must ever accompany it in its present shape.

I do not, in this place, allude to those evils which attach generally to money of any kind; nor to such as are peculiar to banking business, but to those in particular which accompany the benefits in question. A few members of our society, it is true, are accommodated with banking accounts and occasional discounts; but this few forms but a small portion of our society. So confined indeed is its sphere that not one in a hundred is included. The new plan will not require the possession of a considerable property as a qualification for admission to the privilege, It will extend itself to every one transacting business, whether largely or in a small way, and will accommodate its assistance to his wants, confined only by his actual capability of securing from loss, those with whom he is connected.

Some accommodations are granted in the way of discounts; yet it is at so high a rate as to raise the price of commodity very materially above its natural standard, that is the natural cost; and requires so many collateral securities, making one person answerable for the debts of another, as to involve many an honest and otherwise solvent and respectable man in the losses, and sometimes in ruin with his neighbor. By the new plan all the accomodation that he can require within the amount of debts, due to him, will be granted without any expence in the shape of interest, and without forcing him to the ruinous resource of joining his responsibility to that of another person, with whose circumstances he is not sufficiently acquainted, and by which he may involve his own creditors and friends in loss, and himself and family in ruin. All that he may require, even be-

yond that amount, may be allowed by his creditors without interest, provided they can see themselves justified by the state of his property, the morality of his conduct, and the character of his dealings.

Accounts with bankers, as they exist at present, are rather the means of speculation, the history of discounts and contrivances for proceeding till settlement between one person and another can be effected, than the means of effecting or facilitating them. They are not usually the channel for that settlement; though they may be so, after the parties have been prepared by the ordinary process of the money system.

By the new plan such an account, instead of requiring a series of expensive discounts and other contrivances, as the means of supplying the wants of the interval between sale and payment, would actually become the means of collecting claims, of paying debts, of obtaining freedom from the necessity of giving credit, and from its consequent embarrassments and dangers.

In the second kind of benefit some few of the members of our society may receive more permanent accommodation loans on the security of good property mortgaged for that purpose; but this accommodation is granted at a high rate of interest, is subjected to arbitrary conditions, which the owners of such property often prove unable to perform, and frequently causes forfeiture or alienation. Many valuable estates have been thus squandered, many respectable families reduced to ruin; and some aristocratical fortunes, have thus risen at the expence, or on the ruins of many more moderate ones. In the course of the present chapter I shall endeavor to show by what means the owners of such property without being themselves

bankers, may, on the proposed plan, enjoy the benefit of such accomodations, with privileges equivalent to those of banking, without being subjected, either to the inconvenience and risk of mortgages, or to the expence of interest.

The third kind of benefit effected by the present system of banking, is that by which the issues of bank-notes serve as an enlargement to the quantity of a circulating medium previously existing. To whatever extent that enlargement may amount it must always be subject to a deduction equal to the quantity of specie required by law to be continually kept in the hands of bankers as security for the payment of their notes.

Besides this, it will always be found that the issues of bankers, cannot, under any possible circumstances, growing out of the present system of banking, or even of that of money, either become duly distributed through those ranks of society where the want is the greater and the more severly felt, or reach that extent which is necessary to give free action to the exchange of commodity, under circumstances, either of credit or of prompt payments. Bankers' accommodations are not extended to the more numerous portions of society. With the generality of such people they would be neither safe nor profitable. They are therefore confined to a small circle. To these they are administered sparingly, and with considerable expence; consequently they are distributed by equally tardy and parsimonious hands. In adition to this consideration there is no natural connexion in the principles which regulate the demand, and those which govern the supply of money, whether consisting of specie, or of bank-paper; nor is there any correspondence in the

principles, which limit the extent of each. Consequently the one can never be cordially accompanied by the other.

But a claim by one person on another, for goods sold and delivered, or for any other good and legal consideration, made by the claimant and admitted by the debtor, must be good evidence of a debt. The admission of this claim on the part of the debtor, with the proof of his capability of payment, exhibited in his account, must be a proof of the credit due to such claim. When the issuers of a claim and the parties liable to the payment of that claim are good, they must be equally so if neither of them are bankers, as if if either or both of them were such. This credit then, at the time of its arising must be as good as that of a banknote, and if conveyed by transfer in account, by agents duly authorized, such conveyance must be as effectual as that conveyance which is made by the manual transfer of a banknote, which note is simply the certificate of debt in the books of a banker.

Thus when the active power of settlement, instead of resting on the uncertain contingency of the arrival of money in the hands of the debtor, who, though without this artificial means of payment, is yet possessed of a property sufficient to guarantee the payment of his debts, a case that is always supposed, and one, which by the proposed plan is provided for; when this power is transferred to the claim of the creditor which is ever alive, and ever stimulated to this purpose, when it is made to answer this call of credit in account, we shall possess in that power of taking credit, a means of exchange, or a means of settlement, which must ever be co-extensive and co-existent in time and place with the commercial wants of a community, unniversally diffused throughout all its parts, and a-

dapted to, and serving the purposes of every one. But while these benefits are effected, and thus diffused through every class of society, the evils resulting from the banking system are avoided. That portion of the spirit of speculation which is adverse to the public good, and which by the business of banking is engendered and supported; all sporting in money, overstocking the supply at one time, and withdrawing it at another; raising public confidence in favor of certain projects, and then destroying it; involving multitudes of individuals, and whole communities in one common state of embarrassment and ruin, are avoided by the adoption of this mode of settlement.

While these and many other evils connected with the currency would be done away with, those also by which the system of banking operates to produce that political corruption which has before been spoken of, would share the same fate, the quantity hereafter required would be so little, and the urgency with which it was sought after so much diminished, that it would not be able to effect more than its proper objects, that is, it would still form a capital stock and still remain a means of commanding exchange; but the limited extent of its demand, would not enable it to effect those collateral and disguised objects, which produce social and political corruption.

The next inquiry is, how far the proposed plan may be rendered effectual in enabling every man to become his own banker, to supply his own wants in the way of money or credit, on the basis of his own property, without being laid under the necessity of substituting the money or credit of another, the use of which he must obtain at a considerable expense, in place of his own, which he may command at his pleasure, without expence; or, in other terms, by

what means, he can obtain banking benefits, and pecuniary accommodations, without banking expences, mortgage, or the payment of interest.

Suppose then I have an account with my bankers A B and C, to whom I apply for accomodations, in the way of loans to enable me to discharge the necessary obligations of business. Before they consent to my proposal they require an engagement on my part, to repay, at a specified future period, the sum which they advance, together with interest on its amount. In addition to this engagement they must know me, as one possessed of property sufficient to secure them in this repayment; or they may require me to secure them by some specific property, with the conditional right to them to secure themselves by the possession or sale of it, in case I fail to perform the repayment in due time. Having done this I have obtained money which is negociable and available for the purposes of business, on the credit of my fixed and immovable property, which was not calculated for such negotiations. In other words I have obtained money, the admitted medium of our exchanges, an article, suited, and especially devoted to that business, on the security of that which I possess, but which is fixed, immovable, bulky, incapable of such a duty, and destined by its nature for other purposes.

Thus I find, I have borrowed money subject to the payment of interest; but in furnishing the lender with security I have exonerated him from the risk of loss. The proper use of this money is to act as capital, and perform the business of exchange. These purposes it can answer, but no other. This use the owner gives up to me in consideration of my paying interest. But he

he has no such benefit, at least not at present, in the instrument which I have put into his hands. He is allowed to hold it as security, but I retain the profits of the property involved in it.

Of the justice of this proceeding, there is some difference of opinion among the learned. That it should be held to be good when exchanges were effected by money, specie money, and that only, is a matter by no means surprising. How far it is justifiable by the law of nature to demand money for the use of money, in a case in which the principal is secured from risk, it is not necessary, in this place to inquire. In the notions of commercial law engendered by our present habits, some allowance to the owner seems reasonably due for the use of his money, when placed in the hands of another as a source of profit Be this as it may, there can be no question, but that it is perfectly fair, to endeavor to obtain any required benefit by means of one's own resources, instead of incurring an obligation for the use of those which belong to others, although such a method, without condemming the rule in principle, might, as far as it could be carried, defeat it in practice.

In the experience of ages, and particularly in that of later periods, the insufficiency of specie as a medium of exchange has been severely felt, and means have been discovered, which in some measure, have served to relieve it. On the basis of specie property, the issuing of bank-notes, to an extent exceeding the value of that specie has been allowed; even so far exceeding it as it was judged could be secured by its amount. This was an important discovery: it showed at once that specie was not the only, nor the best means for effecting commercial ex-

changes; but that it was susceptible of being converted into paper promises, fully as well calculated to serve the same purposes; and was even capable of being increased by such means, to several times its amount.

But this discovery, great as it is, does not end here. If money or specie, though it be the article especially contrived as a medium of exchange, be convertible into paper promises, and in that form be equally capable of performing its duties, this capability of acting in its new form, arises, not from the circumstance of the promises being the representative and pledge of the medium; but from that of their representing and pledging the *value* contained in the medium. Hence arises a new era in the science of money. Up to the time of this discovery we had been accustomed to think that no property could serve as a medium of exchange; but such as possessed the qualities before enumerated as necessary for such service; but now it follows that any property which can be held in security, and whose title can be transferred by promise on paper. in the form of notes, payable on demand, assisted by so much specie as will be sufficient to pay those amongst them which may be presented for payment, may be made to answer the purpose of a medium of exchange. Such is the case with landed property, with buildings, with public stock, and with every thing else which can be effectually held by written title. I look around me, and I see the principle in active and extensive operation. I see England with a public debt of one thousand millions of pounds sterling, or five thousand millions of dollars (speaking in round numbers) taxing her subjects with the payment of its interest, the only part of it which remains, and that no otherwise than by

political enactments, calling this debt a *property* though not one atom of its principal remains—and making it the ground of banking speculations, and I tremble for the consequences to a people that are willing to submit to its operations. Notwithstanding it has elevated the commercial and political character of the country, it has degraded and reduced to the lowest pitch of human misery, millions of her inhabitants. I come nearer home, and I select the State of New-York as an instance granting to its citizens banking privileges on the security of public stock, and the mortgage of real estate.

But there is much difference, in the materials, proposed by the two countries for the bases of their banking operations. It is easy to find the creditors to the English national debt. But where are the debtors? It is easy to find the claims, but where is the capital upon which they have a moral claim? It may be said that the people are the debtors, the resources of the country are the capital, and that the government is the guardian of the rights of the creditors. Is this the language of moral justice, or of political expedience? It is astonishing, to what montrous notions, the human mind will become reconciled, when the interest of a powerful party is served in their consequences. Without any departure from the moral law, the circumstances under which the debt was contracted, may by a future generation, be considered sufficiently objectionable to affect, in a considerable degree, both the claim of the creditors and the liability of the debtors.

The stock and the real estate of New-York form a better material for banking funds. While the debt of England has been contracted for political purposes, by a political party, and its funds have been squandered in objects

productive of no social benefit, that of New-York has been contracted for the benefit of its people, has created a property far greater than its cost, of permanent existence, productive of national advantage, and amply capable of repaying its original cost, in addition to the perpetuation of its own existence.

But to return to the subject of banking funds, the evident conclusion of all this is, that the same description of property which serves to secure a banker in the advance of cash to his customer, serves also to enable the banker to raise his banking facilities, and consequently, that if it could be so applied at once by the customer, it would save him the necessity of engaging the agency of the banker, together with the expence of interest.

If I look at the funds which have been furnished by my bankers in the accommodation before alluded to, I find this opinion confirmed. I find that these funds, instead of consisting of specie, the material especially selected as the medium of exchange, consist of bank-notes which may be representative either of specie, or of such securities as that which I have put in their hands. I perceive that I borrow no more money, than what I might have raised as banking capital by my security, that I find my own means for applying it to productive purposes, that I run my own risk, in fine that I have no other benefit from my bankers loan, than what I might have obtained under the general banking law, by means of my security, without their agency, and yet I am laid under the obligation of paying them a sum of money in the shape of interest.

It may be said that the bankers have furnished bank paper on a specie basis, that they are obliged to keep cash by them, for the purpose of paying such of these notes, as are

presented, and to keep up a banking establishment for the prosecution of their business.

This is true as a matter of fact; but the interest which I pay is a charge for the use of money, that is specie. Had the bankers' advance to me been made in specie, it would have needed no conversion, no preparation of cash, no banking establishment to exchange it. It was by their choice, and for their advantage, not mine, that they made it in bank-notes. As it is not therefore for my advantage that they keep cash, and a banking establishment; so neither ought it to involve me in expence.

On the other hand it must be admitted, that as the benefit which I claim arises from the invention of notes for a circulating medium as the representatives of property, and that as these notes, under a specie circulation, are required to be convertible into specie, I can use no argument against the charges necessary for that purpose, on the part of the banker, but what will apply with equal force against my own case. What then becomes of the advantage which I claim in being possessed of property which would enable me to raise my own funds, free of interest, instead of employing my bankers, to do it for me at the expence of interest? It amounts to this, that I may do so on the same conditions as they do, either using the funds myself, or hiring them out to others; but that so long as the community continues to depend on money, which, if in bank-notes must be convertible into specie, I must, like other bankers, be prepared to pay my notes in specie.

From these observations some important considerations will follow. First.—That money, which is specie, which is a valuable material as a metal and a commodity, which is selected by society as the medium of exchange,

which thus constitutes capital, and yields to its owner a remuneration in the shape of profit, if he use it himself entitles him to a remuneration in the shape of interest if he disposes of that use to another.

Secondly.—That bank-notes, whether the representatives of specie, or of any other property, though they perform the duty of money, as a medium of exchange, though they are the pledges, and the conditional conveyers of the property, which they represent; yet as they do not contain that property within themselves, but leave it, with its profits, in the hands of its owner, do not appear to be entitled to such interest, inasmuch as they may be raised and held free of expence by him who can create them.

Thirdly.—But that as the law which authorizes the raising of banking funds, or bank-notes from certain descriptions of property, still retains the condition of a specie basis, it imposes upon every circulator of such notes, the duty of paying them in specie when presented, with the expences consequent on such payment.

From the first of these considerations, it seems that the owner of money is entitled to a consideration for its use; because it contains *reality* of value and carries it in itself, which value, together with its profits, go, for the time of lending, to the borrower. By the second it appears, that notes, being a *representation* only of value, which neither in itself, nor in its profits, is made over to the receiver, but remains in possession of the issuer; are not entitled to such interest, unless some other cause can be pleaded for this purpose. Hence, by the third, when the banker issues the notes, he sets down the liability to pay them in specie when presented, as equivalent to the

fact of having paid specie in the first instance, and makes his charge accordingly.

On the whole it appears, first that money, specie money, is not the only thing that is capable of effecting the exchanges of society; secondly, that such exchanges may be effected by means of bank-paper, or of any medium that will secure the return of property to be received, in exchange for that which is delivered; thirdly, that persons of suitable property may raise the means of exchange to an amount proportioned to that of the property, free of the expence of interest; and fourthly, that as the law now stands, they cannot avail themselves of this advantage, without becoming bankers, and incurring the expence of a banking establishment, inasmuch as they cannot circulate that means of exchange without being prepared, at all times to redeem it in specie. This is one of the evils of a dependence on a circulating medium, and of its necessary consequence, payment in specie, both of which are excluded from the plan which I have proposed, not only as unnecessary, but as highly injurious to a community in numerous other respects than this.

I will endeavor to show the practical means, by which, when the custom of exchange by money, resting on a specie basis, be dispensed with, and the public shall resort to that of exchange by credit in account, secured by the visible property of the debtor; such securities may be rendered equally as available as a loan of bank-notes received from a banker, and this without subjecting the owners to any obligation in the shape of interest.

Suppose then I am, as a merchant, carrying on a business, moderate or extensive, in which I require, according to the present system of credit, some loans from bankers in con-

sequence of the difficulty and disappointment attendant on the collection of money in payment of my claims on my debtors. For this accommodation I must lodge in their hands security for re-payment, which security must be a pledge, a mortgage or a conditional right, to some substantial property, and I must also pay them interest on the sum for the time during which I hold it. But if, instead of engaging with them as bankers, or as lenders of money, I engage with them as agents for the keeping of the accounts of the several members of the community, and for the cancelling of the claims of each by the transfer of credit from one account to the other, I proceed first to charge my debtors with my claims against them respectively, and finding that, though they have, like myself, a difficulty in obtaining money; yet they have a sufficiency of credits on which the money is due, I take their credit instead of money, and transfer it through my own account to those of my creditors, in place of the money they would otherwise have received from me. This done, I shall have had the same accommodation in this account with my agents, as if I had borrowed money of them as bankers; and in addition I shall have collected my claims, reserved my security, and avoided the expence of interest.

But my advantage will go still further. As every substantial trader, particularly after being a long time in business, has claims on his debtors to a greater amount than the debts, which he owes to his creditors; so may I expect that this settlement of claims by the entry of debts and credits, will not only furnish what I have to pay to my creditors, but produce a further balance in my favor available as so much additional capital or money for any further pur-

poses of business. Hence arises a second series of pecuniary benefit.

Hitherto, however I have not had occasion to resort to my security. Should I do this, it will be by attaching it to my account, as security for the benefit of such persons as may, at any time, have claims on it as my creditors. It will there serve as a foundation of credit for all claims lying against me, or against my account, till they are paid in its progress, in the same manner as the funds of bankers give credit and respectability to their notes, till they are presented and paid; but as this security will be stationary in my account, not circulatory in society, it will not require conversion into specie, it will not be subject to the expences of the counter. Being the representative of my property, I shall have raised it without expence. Being the representative *only* of that property, as distinct from the reality, which it has left where it was before, in the performance of its natural functions, and in the production of its ordinary profits, its operation here is a gratuitous benefit. It serves the purpose of a means of exchange, but it costs me nothing in the shape of interest.

The freeholder, the stockholder, the holder of any kind of property on which he had raised security, although neither a merchant nor a trader of any kind, might do the same. If his property was already mortgaged, he might remove it by the following means. Suppose I am the owner of property mortgaged for twenty thousand dollars for which I am paying interest. In order to remove it, I open an account of debt and credit at the usual office, referring those with whom I am concerned to that account for settlement as others would do. In the mean time I apply such moneys, as I can conveniently collect, to the payment of

the mortgagee, requiring his discharge for so much of the claim, as is thus paid, and keep my account of debt and credit good by a charge of such sums against the mortgage, thereby bringing its property into account for the security of my creditors, as it becomes paid, till it is wholly paid off and brought in.

By another method I might open a separate account with the mortgage, and carry the credit so created in my favor, from thence to my account current with my debtors and creditors, thus conveying to my creditors, my right in the property so mortgaged. Thus I remove my accommodation from the account of the mortgagee, to whom I pay interest, to that which I keep of my debts and credits, on which I pay no interest.

The value which any specific property was rated at in each person's account, the proportion of that value to which credit should be allowed, and the length of time that should be suffered to elapse, between the entry of a debt, and its subsequent cancelment by the progress of account, would be fair subjects for the determination of the committee of each local office.

But it may perhaps be asked, by the strict moralist, and by one who may not see the whole case. "Where is the justice of taking the use of money from another, whether he be or be not a banker or money lender, without paying an equivalent for the use of it?" To this it must be answered that, though the use of money is taken, yet it is not taken away *from* any person. By this plan every holder of property draws money, or rather credit, which is here the same thing, from that property. Every person to whom he is indebted, makes his charge and takes that credit in payment. A degree of responsibility may

remain, but we must distinguish between responsibility for money, and the use of money. The case of the merchant, and that of the freeholder are here the same thing. If the account of each of them is good and secure, with sufficient assets to realize that security in case of necessity, transferrable credit on such account is equivalent to money. If a crediter makes a charge against it and takes credit to his account, he, under the proposed circumstances, takes payment; he no longer lies out of his money. Such credit, transferred from the account of one person to that of another, by parties duly authorised; though transferred in a book which can be produced in proof of the act, must be as good a payment, as if the transfer had been made by promise, or certificate on loose paper, as is the case with a bank-note. Some degree of responsibility may remain, but responsibility for a time, either long or short, usually follows all contracts; but they are not, on that account, charged with interest. On the proposed plan it would remain but a very short time, compared with that during which it remains on the system of credit. At present, responsibility attaches to every bank-note we carry about us, although we consider the engagement as completed with the person from whom we have received it in payment, and are no otherwise connected with the bankers than as strangers.

But though the plan proposed, may afford the means of carrying on business without the necessity of conforming to any forced system of credit; and although it would enable merchants and holders of property to obtain pecuniary accommodations without the payment of interest; yet it should not be understood as being

prohibitory of either, where they are the desire or the interest of the parties concerned. It has been already shown that to give credit in account is at the option of the creditor. Any consideration of interest arising from it, might, as far as the plan is concerned, be the subject of contract between the debtor and the creditor. Accommodation sums might be granted on interest, by persons who had balances in their favor, or even by those whose accounts contained satisfactory security. The terms would be matter of contract between the borrower and the lender. The borrower would effect the borrowing by making an entry against the lender, and the lender would lend by accepting that entry. The payment of interest and the repayment of the principal, would be effected by entry made and accepted in the contrary direction. Such borrowing and lending, however, as they would not be the borrowing and lending of *money*, but the borrowing and lending of *responsibility*, should be subjected to the notice of the committee of arrangement.

From the foregoing observations it is, I think, evident, that a system of settlement by transfer of credit in account, would not only effect all the benefits which can be effected by the business of banking, but that it would do so in a superior degree. It would not only extend to every one the benefit of an account; but it would supply him with the means of collecting his claims and paying his debts, without the necessity and expence of borrowing from the funds of others to supply the defect of the money system. It would enable him to obtain such pecuniary accommodations as could be secured by his property; it would measure the due extent

of that accommodation, to that extent it would supply it, and to that extent it would confine it. By rendering credit in account the means of exchange and the means of settlement, it would furnish a supply always equal to, but never exceeding the demand. It would enable every man to become his own banker, on the basis of his own property and dealings, and it would furnish him with the effectual use of pecuniary assistance derived from, and proportionate to the value of his property, free from the charge of interest.

CHAPTER XIV.

OBJECTIONS TO THE POSITIONS OF LAST CHAPTER CONSIDERED—NO CAPITAL—NO LOANS—NO WEALTH FOR SECURITY.

By some it may be objected that a mere plan, devoid of capital, could grant no loans, could give no credit, could establish no reputation for security, and consequently could not answer any beneficial purposes to the community.

To these it must be replied that it is, in all these respects, the better. If it granted loans, if it gave credit in money, if its security depended on reputation, it would be, like all other banking and commercial establishments, subject to contingencies, which might fail and bring it to ruin; but it is above all such casualties. Dependent on no speculation, it neither requires success, nor fears a loss, it is above the reach of hazard of failure.

If the contract be made with a debtor who is able to pay, a contingency which must always depend on the creditor, there can be no danger of loss in the means of payment.

It is admitted that it can grant no loans. What then? So much the better. Loans, while they are favorable sometimes to the owner, and always, if secure, to the lender, are yet injurious to the community at large who suffer by their operation. All that portion of the produce of labor which is awarded to the possesser of money, and charged upon the price of commodity, is so much abstracted from the share of industry, falling upon every consumer as an arbitrary burden. I am aware that the doctrine that capital is the great spring which sets labor in motion, is one of the most generally admitted axioms in political economy. This position however, as far as by the term capital is meant that artificial material, money, I am disposed to deny. The means which set labor in motion and keep it in progress, are the raw and unfinished materials and the power of industry applied to mature them.

It is true, these are, in the present state of things, purchased and exchanged by means of money. But all axioms of politi[illegible]economy, to be sound, should be based on natural principles; and though it be one of the immutable laws of nature, that all commodities shall consist of, or be formed by or from, some natural substance; yet it is no law of nature that these commodities or their raw and unfinished materials, shall always continue to be exchanged by means of money; or that money will continue to command that exchange in the arbitrary way in which it does at present. The power of money is a consequence of that rule of society, which has admitted it as a means of exchange. But this power may be divided, by the admission of other agents into a participation with it. It is however true, that the power of exchange will always accompany the possession of pro-

perty, whether that property be in the shape of commodity, or in the shape of money during its admitted use. But political economists in considering labor and capital as distinct matters, have always viewed them as vested in separate and distinct classes; and while they have represented the class of laborers as a class destined to remain for ever poor, and their employers to remain as long rich, they have recommended measures, calculated to keep each individual in his present place.

Money, by its use, and the manner in which it is supplied, is rendered a marketable commodity, rising or sinking in its value, like every other commodity, with the increase or diminution of the supply as compared with the demand. Thus an increase in the supply, lowering its value, increases that of commodity. The increased value of commodity requires an increased amount of money to effect its purchase and exchange. Here it may perhaps be said that in the increase of the value of commodity, the share of the industrious man is also increased. But this is not the case. That portion of the price of commodity which forms the remuneration for capital, is independent of that portion which pays the wages of industry.

The industrious members of a community receive on the price of commodity, only that portion which pays their wages.—When it is again purchased by them for consumption, they pay, in the price of it, both the wages of industry and the remuneration of capital. If then its price has been enhanced on account of a more plentiful supply of money in the market, and a greater sum has been required to exchange and pass it through the different hands that have held it, such an advance is an increased charge against them, while they are not indemnified by any increased

share paid in their wages, consequently they are disabled from purchasing the same quantity, which they could have purchased before, and are rendered so much poorer as is the amount of the deficiency.

Credit is of the nature of a loan. Its necessity arises in the insufficiency of money to perform the duty assigned to it. It must therefore be considered as its auxiliary. But in the means of exchange, which the new plan proposes to introduce, in which all claims and a great portion of fixed property is included, such an auxiliary may not be needed. Though it is probable that there will be always some classes of persons seeking credit, it does not follow that it will be always prudent to grant it. The cases in which credit is required, will be one or other of the following three.

First—When the expenditure of a person exceeds his income.

Secondly—When he is overtrading, that is, trading beyond that extent to which his capital will allow him to do, within the admitted laws of trade; or trading beyond his capability of discharging his obligations in due time.

Thirdly—When from the custom of giving credit to those to whom he sells, he is obliged to supply the deficiency by taking it from those of whom he buys.

In the first case when a person's expenditure upon a general average, exceeds the like average of his income, he is evidently approaching to ruin. In his progress he generally deceives him with superficial calculations and futile

hopes, and always deceives, as well as injures his creditors. His real circumstances and his approach towards ruin, would be evident if the real state of his debts and credits were open to their inspection. In this case, if his accounts were open to the view of his creditors, they would not only save themselves from loss, but would be able to undeceive him, to expose to him the real state and tendency of his affairs, while yet there was time to repair them; and to remind him of the real extent of his income, that point at which he must stop, if he were not disposed to stop anywhere short of it.

In the second case, that is, when a man is so far overtrading as to be purchasing beyond the extent of his capability of paying at the time of purchase, or beyond the extent to which his property, taking into consideration the possibility of loss, will enable him to guarantee to his creditors, a certainty of payment, and that in due time, he is running a risk unwarranted by the laws of trade, and one in which his creditors ought not to uphold him. Private considerations of consanguinity or friendship may operate in private cases but these are not within the regular rules of business. In ordinary circumstances the speculations of such a man cannot answer, except at the public expence, and whether they answer or not, the expence necessary to satisfy them is greater than it ought to be. If they answer, it must be by an increased profit at the public expence. If they fail, they are an injury to the speculator, and that frequently at the expence of his creditors. Such failures also constitute a regular charge upon the community, in the shape of an advanced price from the increase of profit necessary to indemnify the dealer against such contingencies.

The third case is in the necessity of taking credit in order to supply the disadvantage arising from the necessity of giving it. This appears to be the only solid and legitimate ground for the practice. But even this necessity should not arise from any deficiency of property on the part of the debtor; but from the custom which requires that his claim should lie as dead property, till his debtors can pay them in money, a custom by which he is himself placed under a similar necessity of taking credit on his own debts. Hence it is obvious that this necessity of giving credit or trust, is the effect of a higher cause. It is the effect of that principle in trade which requires all payments to be made in money. The cause is, in fact, in that DEPENDENCE ON MONEY under which society has placed itself.

The truth is, as I have several times repeated that the money and the claims of a community lie and move in a circle. When claims are required to wait for the arrival and action of money before they can be settled, the course of liquidation travels slowly in one direction of the circle. But if the active power were removed to the side of claim, if this were allowed to step out to seek its own means of liquidation, the course would be rapid the other way. The first method is totally artificial, subjected to arbitrary and unecessary conditions, and beset, at every turn with innumerable difficulties. The second is natural, and its power of action is always at hand, while the possession of the means for accomplishing the first, depends on many contingencies, is frequently obtained at a forced expence, and brings ruin by its condition. Unfortunately the present custom of the world requires that the move-

ments in this circle shall be made in the most difficult way. The early and the rude ideas of mankind seem to have betrayed them into a most unfortunate error; they have been led, for want of a better system to subject the mighty engines of social and of national intercourse, trade and commerce to the dominion of a rule suited only to the pettier purposes of pocket expences.

In the present system of trade, fascinated as we are with the use of money, it becomes the great desideratum, the great power that gives personal and commercial consequence, that commands exchange, and commands enjoyment. Consequently, in business, every one wishes to posses himself of as much of it as he can, and to keep it as long as he can. The posessor of money, being a debtor, holds in his hands the power of liquidating or paying off his debts as far as that money will go, but that not being his greater interest, or finding himself not able to discharge the whole of them, he is tardy in commencing the task. For every 100 dollars he can keep by him, he may for some time, ward off the payment of perhaps so many thousands. This money, when in hand, is ready to pay such portion of the whole, as may be first demanded, and probably, before he is called upon to pay a further portion, he may come into possession of fresh funds. But if he, having in hand this one hundred dollars, proceeds, unasked, to apply it to the payment of debts to that amount, he may then be without funds to pay such of the remainder as may be demanded of him, and a deficiency in his funds will then follow. But, if he had not stepped forward when not called upon to pay off the one hundred dollars, he would still have had that sum in his hands to pay off the present demand.

Hence the possessors of money, being debtors, although they have the power as far as their money goes, have not a sufficient stimulus for the prompt liquidation of even of that portion that they could pay off. By the rule of trade, the duty of collecting lies with the creditor. Debtors, whatever quantity of money may be in their hands, do not in a general way feel themselves called upon to run after their creditors; consequently the progress of money through their hands is of necessity tardy, and this tardiness keeps always in existence a greater amount of book debts, than would otherwise be necessary, subject to all the risks and contingencies of trade.

Although the stimulus which is wanting on the part of the debtor, may always be found in the possession of the creditor, yet it does not, in his person, supply the deficiency. A number of circumstances prevent him from taking advantage of it. He knows indeed, when his account is due and payable, but does not know that his debtor is in possession of cash sufficient to discharge it, and when the application is made, some arrangements, perhaps, are necessary, some expectations are to be waited for, and some delays must take place in a great majority of cases.

But when the power of liquidating his claims is transferred to the creditor, who is already in possession of sufficient stimulus, when that power and the impulse become united in the same person, the promptitude of the one will be in proportion to the tardiness of the other, a much smaller amount of debts, if any, will be allowed to remain, subject to the many and baneful contingencies of commercial evils, the business will no sooner becomes necessary than it will be done, and the matter of liquidation will be at once effected. There will be neither excuse nor hindrance arising from

the absenceof money. If the debtor has not money, he has assets equally valuable, equally available; and these assets create thecredit in account sufficient for all the intents and purposes of liquidation, and are a means easy, convenient and advantageous to both debtor and creditor.

Even the most prudent man will be very careful not to run himself out of money. If he finds, he must do it, on any occasion, he will do it as slowly as possibly. He will, as he goes along, wait as long as he can for all the chances of fresh supply. He will sometimes defer the conversion of his money into commodity, though he may be in want of it, and as long as he can do it without the sacrifice of honor or reputation he will even defer the payment of his debts; but let him have the oportunity of running himself, or rather his assets, that is his claims, into money, or into what is equally available, let the swifter horse be put in motion first, and the end will be soon accomplished, that which in the other case, though so highly desirable was yet so difficult.

Thus the settlement by money, not only creates the necessity for credit, but also a method of precaution that carries it to a still greater extent than would otheswise be necessary. Under the plan proposed, so many facilities, would be afforded for prompt payment, that very little, if any credit would be required, and that little might be placed on a secure basis.

It is farther objected that such an institution, possessing no property, has no means of establishing for itself a reputation for solidity or for security. This objetion arises from the delusive idea that a large surplus of property, over and above the amount of that which covers the liabities of banking or commercial houses, is necessary to give security to those liabilities. Applied as it is, to establishments, which, in ad-

dition to those engagements, existing on paper and circulating among a people as money, are also participating in the chances and risks of all or any of those speculations, which occupy and agitate society, it must be to a certain degree correct; but it must be understood that though the word *security* be here used, yet its meaning, in this place, is not really literal and absolute, but commercial and comparative.

Security, correctly speaking, depends not on the surplus capital or amount of property, which a company may possess after paying its debts; but upon its capability simply to pay them. The holder of a claim has no interest in that surplus property, but he is vitally interested in the sufficiency of those assets, which are destined to pay it. In the supposition that such assets are properly appropriated, security depends on the simple circumstance of solvency; but the continuance of solvency is always uncertain with parties who speculate.

Commercial securities are of different degrees of certainty.—If I require from my debtor the signature of his friend joined to his own in a note of hand, this, in commercial language, is called collateral security, that is, it is a conditional and contingent, as well as an additional security; but it is not security in the literal and absolute sense of the word. It is, properly speaking but a nearer aproximation towards security, inasmuch as two responsibilities afford a better chance than one. Eventually however, both may fail, and security may be found in neither. In like manner, in a bill of exchange the party properly and first liable is the acceptor; but if the bill be regular, the drawer and each endorser are also liable, one after another, in case of his defalcation. The several responsibilities of the latter are called

collateral securities; they are liable in the contingencies; but the value of their liabilities may not althogether amount to full and actual security. A bank-note carries with it the responsibility of that party only whose promise to pay is attached to it. It is generally considered as a higher species of security, or as having a better chance of being paid than the notes and engagements of other individuals, because banking companies have the reputation of commanding and owning more property than single individuals, and because it is considered as convertible into specie, at any time, upon demand. But bankers, like others, join in the speculations of society and are like them, also, subject to loss and gain Their gains whatever be their amount, pass into their own pockets. Though they may increase their credit they do not add to the value of their paper. On the other hand, their losses also are their own, as long as they have property to bear up against them; but when they exceed those limits, their capability of paying their debts, and of redeeming their paper is gone, and what has hitherto been considered, and has been allowed to be paid, received and to circulate as money, becomes of no value. After the toils and troubles of busines, after its duties have been performed, sales have been made, and the difficulties and dangers of obtaining payment, have been surmounted, or deducted from its profits, the very money received in that payment, which the industrions man had calculated on as the consummation of the benefits of his labor, becomes itself a source of greater loss than that which was feared in the risks of trade. It is evident that the security of all paper circulating as money, is not certain but contingent, its highest character being that which bears the best *chance* of being paid. Under the present system of banking this chance may be injured by

means of a panic, which a strong political and moneyed party, can always command, and which is continually done, by a mere operation on the public mind, whenever it suits the interest of such a party.

Such must ever be the evils atendant on a medium of exchange whose value and security depend on the chances and fluctuations of commercial loss and gain, and on the management of men whose interests lie, not in the productive power of the community, but in their own power of abstracting its wealth. It is not so with the plan here offered to the world. While it possesses all the advantages of specie and money of every kind, it is free from the evils of both; free from the dangers of panic, of speculation, of loss, gain or vicissitude. Its insolvency is impossible, it rests on a fixed, an unalterable basis; it proceeds on the most certain principles, with mathematical accuracy, with debts and credits always equalling, but never suspassing each other, it secures to every one who has a just claim upon it, a just and full remuneration.

Hence it is, I think, evident that the plan of exchange by credit in account, here proposed, presents all the solid benefits of the banking system, without its risks and without its evils. It is not only far better calculated to assist the circulating medium by adding to its quantity, but even to supply entirely its deficiencies. It furnishes a means of exchange, co-extensive with existing property, and consequently capable of effecting, at all times, its necessary business. While it does away the necessity for credit, emancipates the trader from the risks to which his debts have hitherto been subject, and thus recovers these assets from a state of inaction, it brings them to his account, it furnishes him with accomodations superior to those which he could draw

from his banker, and places him above the necessity of supplying their place with the borrowed funds of others. It confers security on his dealings, and furnishes him with a medium of exchange, which cannot possibly fail in his hands.

CHAPTER XV.

FURTHER EFFECTS CONSIDERED-GREAT SAVING TO THE NATION—TO INDIVIDUALS—IN EXPENCES OF MONEY—OF CAPITAL—OF BANKING ACCOMMODATIONS — IN GOVERNMENT REVENUE—ITS INTRODUCTION THE PROPER BUSINESS OF GOVERNMENT —PRACTICABLE BY LOCAL ASSOCIATIONS — FURTHER NECESSITY FOR ITS INTRODUCTION — IN THE GENERAL STATE OF POLITICS—OF PUBLIC MORALS.

It may be said that so great an alteration in the means of settlement, would effect a very great change in the speculative habits of our society, and disturb many existing sources of employment. It is true, it would very much affect all that speculation which is supported by the mystery of the money system, which is in no way productive; but which always rests on the community as a heavy expence. But the owners of real capital might turn the use of it into other channels in which it would be equally productive to themselves, and more beneficial to the community. Persons accustomed to be employed in banking business, are generally suited to something mercantile. No profession should be maintained for the mere

purpose of continuing in employment these who have been accustomed to it, when it ceases to be required for the benefit of the community. Great improvements in the customs of society, however much they may eventually promote the public good, and however highly important may be their effects on future generations, must frequently be brought about by an inconvenience to some portion of present society. No evil can be remedied, no abuse corrected without producing some temporary inconvenience to those whose business it has been to alleviate or to counteract it; although the same persons, may, not only ultimately, but even in a short period, by the operation of the general remedy, be placed in a better situation than that in which they stood before.

There is another objection, which though shallow, it may be worth while to notice in this place, namely the general aversion to the publication of private accounts. If this objection were good it would stand against the account of every merchant with his banker. But it will not bear investigation. Every commercial house, and every trading individual has debts and credits. There can be no substantial difference in knowing this circumstance generally, and knowing it in its particulars. The balance of debts and credits, in every estate, is either good or bad. If it be good the credit of the house is promoted, by the publication of the fact. If it be bad it is proceeding to ruin, and may become deeper and deeper in debt to the public injury. Salutary publication, in due time, may not only protect the public from injury, but may save the house from ruin. The estate may be solvent, but embarrassed. If this be the case, publicity, together with the aids afforded by the new system, may be its salvation.

Its embarrassments perhaps, are the effects of lying out of that money, which though due and payable, by the rule of trade, is yet witheld on account of the debtor's incapability.

This is the evil which it is the object of this plan to remedy. With the publication which is feared of the objectionable debt which its owes, will come also the publication and even the payment of that debt, or of those debts, which are due to it, and which, when received, will relieve the difficulties.

Again, the objector may say, I know my own solvency I am satisfied with the stability of my own estate; but I have debtors, whose names and debts I could not publish without a breach of confidence, without doing them a serious, perhaps a ruinous injury. With respect to breach of confidence, I admit, that under the present mode of trade, such confidence is frequently implied, and ought not to be betrayed. It is however a custom that gives way to circumstances, some of which are sufficient to dissolve the obligation, others not. Where confidence is due let it be paid; but there are cases in which a man's duty to himself, or to society requires and justifies the contrary. Where observed at all, it should be observed entirely. The publication of one item of a man's circumstances may do him an injury, where the publication of the whole would add to his credit. Hence, the question, whether this confidence should be observed in the present circumstances of trade, even in a general or in an individual case, and that which asks, whether it ought to be continued in a future one, under other circumstances, are very different. If we hear that one of our neighbors has mortgaged his estate for ten thousand dollars, his credit sinks in our estimation, and thus he may

be injured. But if, in addition to this item of his affairs, we are also informed that he has good claims to double the amount, over and above the estate so mortgaged, it is restored in our estimation. If the first circumstance be published without the second, the individual may sustain an injury from the partial publication. If the second be made known without the first, the public may be injured; but if the whole together be disclosed, justice only is done to the individual and society. Still, in the present system of payment by means of money, the affairs of such a one are in an unfavorable state. The debts which he owes, adhere firmly to him. They will have their full effect against him. He must pay them all. Those which are due to him will be affected by numerous contingencies, before he can get them together, or he may never complete that business. On many of them he may sustain a loss. All these matters will enter into the aggregate in fixing his credit. But if a means of payment like that which the new plan offers, be introduced, and he can have its effect without waiting the various risks of a money payment, the true state of his accounts will be immediately realized. He may pay off his mortgage, and has nothing to fear from publicity. Except some sinister motive be had in view, there can never be a good objection to a fair and candid publication of those affairs which are to serve as securities for the general transactions of trade.

Nothing can so much advance the good of society, nothing can so effectually guard it from fraud, as that fair publicity, united with the means of making immediate payment by transfer of credit in account. By no other means can the principle of justice and practice of honesty be so effectually upheld. The publicity of accounts guards against

the fraudulent misrepresentation of pecuniary circumstances, prompt payment by credit in account, guards against those contingencies, which, between the time of sale and that of payment, may intervene to prevent the latter.

If we ask ourselves by what means frauds are effected, we shall find the invariable answer to be, by the insinuations of falsehood, by concealment of the truth. If we ask how they are to be prevented or detected, the answer will as invariably be, by the publication of truth, by the exposure of falsehood. What is it that enables the swindler to gain credit, and cheat those whom he can draw into his snare? The insinuation of falsehood, the concealment of the truth, of his real circumstances. What would have prevented his success? What would discomfit his whole fraternity? The exposure of the truth of those things which they misrepresent. What enables the forger and the negotiator of false and fraudulent bills of exchange to succeed in his proceedings? The use and dependence on money, its negociation by the hands of individuals in a private manner, and the concealment of the real circumstances of the case, from whom received, and for what consideration. What would render his plan entirely futile? The test of the truth of his pretensions, a rule requiring an admission of the correctness of the claim on the part of him who is liable to and capable of paying it, in other words the conveyance of credit in account from a good and admitting party to him who claims it, made by persons duly authorised and having the means of knowing its correctness.

If the debts and credits made or liquidated by the conveyance of money privately through the hands of this individual, had been subjected to the ordeal of accounts in the hands of accredited agents, instead of being done by his

private act, his plans must have been frustrated and the success of his villainy would have been impossible. Here that tangible, that delusive thing, money, so favorable indeed to fraud, that it would seem to have been invented for that purpose, or rather the means which this man possesses of producing its deceitful appearance, are superseded. If he wants assistance, he must obtain it, by credit in account. To procure this credit in account, he must have good claims on other persons, and these persons must have good and ascertained credit themselves. Should he, without these advantages attempt to gain credit, his deficiency would be obvious. He could not, either by word or by instrument, make any feign of credit, which did not exist.

The object of the proposed plan, is to enable every man to discharge his commercial obligations by the transfer of real assets, arising in accounts of actual dealings; not to invent artificial money accommodations, or the delusive appearances of money for the purposes of fraud or hazardous speculations. To be confined to these objects, to ascertain the points above stated, would expose and defeat all his plans before he could act upon them.

What is it that principally suggests the idea of plunder to the daring robber? What is it that affords facility to his exploits? The use of money, the numerous opportunities it affords for the practice of fraud, its tangibility, its admitted ownership in the hands of him who can exhibit it, the facility with which it is exchanged, for any thing that can be desired in place of it, the privacy which attends its passage through all its stages; but particularly that part of its progress, by which he receives it; a part known only to himself and which he will take care shall not be known by others. What would frustrate his schemes? What would

deprive him of his means of success? The substitution of a mode of settlement by transfer of credit in account, a mode by which no intervening material is artificially clothed with the value and qualities of money, and rendered liable to depredation; but one in which the names and descriptions of the parties claiming, and of the parties paying, together with a track to the consideration of the cause and justice of such claim, if necessary can be exhibited, one in which either of the parties have, on good cause, a right of objecting to the claims of the other, and one which affords the means, in case injustice should appear, of making amends to the injured party. In fact a mode that is open and candid throughout, and in the stages of its progress is under the protection of the social union.

A further advantage that must result from the mode of settlement by credit in account is, that it will remove many causes, and improper motives for litigation. The want of agreement in the accounts of debtors and creditors, as to the various items by which they have communicated charge and credit to each other, is frequently one of these causes. It is a thing of not only every day's occurrence, but one which, in addition to the difficulty of settlement, produces ill will between the parties concerned. If such items, instead of being the subject of the manual transfer of money, which might escape entry on either side, were made to follow as the *effect* of entry in the books of a common agent, no question of the fact could arise, or if it did arise, it would be very easily disposed of. If, in the investigation of the point, the particular item were to be found, there could be no doubt as to the transit having been made. If it were not, it would be just as certain that none such had passed.

But there is another and a more injurious cause of litigation than this, in the present form of the law, for keeping a creditor without payment during the period of a legal contest. Every one conversant with business is aware of this circumstance. It happens in the case of the solvent and honest man, who though possessed of sufficient property and perfectly willing to satisfy the claim of a just creditor, is yet not possessed of the artificial material money, required by the law and custom to make payment. Such a one, when sued by his creditor, who may be driven to such suit by similar circumstances, is necessitated to oppose the claim of his creditor, and, in form, to deny it, and defend the action in order to obtain the benefit of delay, till he can obtain money for payment. It happens fraudulently when the debtor has, or thinks he has a greater benefit in keeping in his own hands, during the term of process, what is due to his creditor, than he would have, by saving the expence in the payment of the debt. Should it appear that the claimant has lost any necessary voucher, or committed a fatal error in his proceedings, he is, by a nonsuit, unjustly, though legally, deprived of his claim. It happens also, when, as the debtor's affairs are tending towards ruin, he is disposed to give to some favored creditor, a preferable and full payment, while by retarding that of another, he involves him in his failure. Both of these cases are guarded against by the proposed plan. By allowing to the creditor the right of entry against the debtor, his claim would attach in its due place to the assets of the debtor's account, and the intended fraud of the latter would be prevented; while justice would also be done to him in allowing him the right to dispute the claim of his creditor if it were unjust, but without depriving him of his right of priority in case it prov-

ed correct. Thus the regular course of settlement would proceed, and improper motives for litigation and injurious delay would be done away.

There is another and a very considerable advantage derivable from the proposed plan, which yet remains to be be noticed. It might be rendered the means of raising a revenue for the public service, without burdening the people with the taxation of commodity or of stock. There are some branches of the business of a country, which can always be much better executed by its government, than by individuals. They are those, particularly, which require correspondence of plan, and conformity of action through their whole department. Such is the business of the Post-office, which is generally considered as a portion of the duty of the government, and left to its management. The English General Post-Office contributes a very large sum to the annual revenue of that nation.

The profits of such business, arising over and above the payment of its expences, and applied to form or to contribute to the revenue, would be a clear gain equal to their amount, inasmuch as they would arise from the performance of a service, which, besides supplying the revenue, would yield to each individual contributor, a benefit equal to this contribution. Should the government of this country adopt the plan, it will succeed to the same benefit. But as it is at present the subject of a patent right, the claim of the patentee must be considered. He would not however stand in the way of the public good. He has already offered to relinquish a great portion of his profits, that is from fifty to ninty per cent, on a graduated scale, in the event of its being adopted as a government measure.

The government of a country, is the most proper agent

for the introduction and management of a national institution, such as this ought to be. The plan itself, by rendering good credit in account a means of exchange, and a payment of debt, secures to every one a due return of property or commodity in exchange for the claim paid by such credit; provides a method of avoiding the practice of selling on trust and its ruinous consequences; furnishes to society a supply of the means of exchange, always adequate to, but never exceeding the demand; equalises the internal exchange of the country; reduces the expence of that portion of it which arises from transmission, and does away with its risk; extends to every one the benefit of a banking or money account, and enables every holder of property, suited to the purpose of security, to raise money free from the charge of interest, and to bring it into use for his own benefit, and that of the country, as a means of exchange.

But a consolidated interest, free from the effects of competition, is in this case, as in that of the Post Office desirable to give it that unity of establishment, that correspondence of plan, and that conformity of action, which must unite to enable it to perform the greatest share of good of which it is capable. This should be effected by the agency of the government and the constitution, which could also dispense with the law requiring payments in specie, (a law, which from the impossibility of acting upon it, has, from the time of its enactment to the present day, been as a dead letter) could realize the benefit of the proposed plan, and by creating a full supply at home, could bring down the influence of British capital, which renders these states, in some measure, tributary to that country in its pecuniary relations, and introduces an influence of no favorable nature,

over our mercantile transactions, our politics and our social concerns.

But should the government, influenced by the power of adverse interest, refuse its co-operation, it will then become the business of the people to realize so much of its benefits as they can, by local, but connected associations. They cannot, it is true, dispense with the existence of the law, which makes specie the only legal tender for the payment of debt; but, agreeing with each other to take good credit in account as payment, they can confine the operation of that law to debts which are now existing; and as it has been hitherto little, if any thing, better than a dead letter, the cases to which it will so attach will be extremely few if any. They cannot, perhaps, effectually, oppose the entrance of British capital; but they can ward off a great portion of its effects from themselves. They can secure all the other benefits of the plan by consenting to act upon it among themselves; and the right of the patentee, during the period of its existence, will secure to them its unity, its correspondence of plan, and its conformity of action.

It may, I think, be contended that with the exception of that few whose present engagements in money or banking business, may be disturbed by an alteration in the present state of things, the interest of every man may be promoted. Even those who are here excepted may be ultimately benefited. Every buyer must be interested in a system, which, by exonerating him from the condition of buying and selling by means of money, will enable him to effect those purposes by the transfer of good credit in account, a credit which arises to him in his way of business, and which may be always at hand for that purpose. Every seller must be interested in a system which enables him to

take his return in credit as soon as his sale is effected, without running into the present risks attendant on debts. Every debtor must find his interest in a system which enables him to pay debt by debt, and by the same means to keep out of debt hereafter. Every creditor must see his interest in a system, which at once puts him in possession of the credits of his debtor, which he immediately may apply to the payment of his creditors, or to the creation of new funds, available at all times to the purposes of business. Every rich man must be interested in a plan, which affords security and prompt payment to his claims upon his less opulent neighbors, which otherwise might remain long standing and subject to many contingencies. Every poor man must be benefited by whatever affords him the opportunity of bringing forward his credits into a transferrable shape, which for want of capability on the part of his employer or debtor, or from any other cause, he might be kept out of, after the time at which they were due, and of thus supplying the physical wants of himself and family, or those small matters on which depends the success of his honest labor. Every honest man must be interested in a system which discovers beforehand the good or bad consequences of sale or credit, and which enables him to secure the good and avoid the bad.

There are also some considerations of a public nature connected with this subject, which deserve our attention. When we look at the political state of Europe, and at those parts particularly, with which we are more connected, we see party rising against party, a people against an aristocracy, the one struggling for political rights, the other for privileges destructive of those rights; not in the way of their ordinary struggles, but in one which threat-

ens a crisis, destructive to some portion of their institutions, and one which will probably involve us in its consequences. How then shall we be affected, if we remain under the influence of British capital, which will be exerted in favor of aristocracy, so long as that aristocracy exists? The danger is not so much to our form of government as to the effect it must bring with it, to our social concerns which come home to each of us.

Again, if from politics we turn our eyes to the state of morality generally, not in Europe only but on our own side of the Atlantic, that with which we are more particularly concerned, what conclusion can we draw as to the reciprocal effects of the present principles of demoralization, and the facilities afforded to them in the existence and the plan of exchange by money? In every age and in every country, immorality has assumed a form, and has attained a growth peculiar to the habits of the people, to their commerce, and the progress of the arts. There are some vices of a degrading and destructive nature, in the practice of which their victims could not continue long, without returning to, at least some portion of the proper duties of society, necessary to supply their indispensible wants. There are others of a productive nature, which, when once in successful operation, serve to furnish this supply to the individual who indulges in all those to which his disposition prompts him. Of this nature is the obtaining of money, or of the value of money, systematically, either by fraudulent, or by forcible means.

In the ruder periods of society, when the human mind was lower, and more debased, when habits were less refined, enjoyments more coarse, and money, as the means of exchange was less required, the disposition for robbery was

stronger and attended with a greater degree of violence, than in later ages. As man advanced in civilization and the arts; and as money originally in the shape of specie, carrying its seductive value within itself, became transformed into paper promisses, the mere representation of that value, qualified by certain conditions expressed on its face, and more easily tracible in its passage through the hands of its successive owners, it offered, in many cases, not only the practicability of stopping its payment, if necessary, but frequently the means of detecting the thief. Hence the robbery of the person by open violence, became less seductive than the practice of fraud in obtaining money and credit by false pretensions.

In addition to this greater inducement to the side of fraud, the itself adds another. While the act of robbery exposes its perpetrator to the terrors of the criminal statutes the practice of fraud seldom carries him beyond the inconveniencies of a civil suit. The fortunate practitioner, thus discovering the systematic means of support in the path of vice, throws off the restraints of morality, and determines to indulge himself in the practice of vice, in its various forms—such is the character of the prevailing immorality of the day—It is principally supported by those frauds, for which the present money system affords the means. There was never, perhaps, an opportunity of more effectually checking its progress, than the alteration of that system now offers.

It would be difficult to form an estimate of the pecuniary advantages that would result to society from the adoption of this mode of settlement by credit in account, based on property, in place of that effected by the manual transfer of a circulating medium, based on specie. When

our commercial and mechanical society shall have become emancipated from the burden of the cost of so much specie as would, by these means, be rendered unnecessary—from the restraints now placed on the business of exchange, and on the acts of sale and purchase by the arbitrary condition of money—from the innumerable frauds to which the system is exposed—from the losses arising with the consequent practice of credit—from the expences and uncertainty attendant on the business of collection—from the embarrassment and ruin of so many individuals and families which frequently follow from disappointment and loss—from the vast absorption of capital arising from so great a portion of it being always withdrawn from use in the state of book debts—and from the restricting of a great share of its power to that remaining part of it which consists of money—from the necessity of assisting an insufficient circulating medium at the prodigious expence of banking establishments—and from the disadvantage of raising, in the shape of direct taxes on stock and commodity, a government revenue that might be obtained from the services of its officers. When, in addition to the removal of these evils we shall have removed also the mighty cause of social immorality, and of political corruption contained in our present money system, the state of society, collectively and individually, will exhibit a very different appearance to that which it now presents.

APPENDIX.

EXAMPLE OF A SERIES OF ACCOUNTS SUBJECTED TO THE OPERATION OF THE PROPOSED PLAN.

Referred to in pages 88 and 116.

		Dol.		*Dol.*		*Dol.*	*Dol.*
A	claims of B	101	of C	102	of D	103 Total	306
B		C 104	of D	105	of E	106	315
C		D 107	of E	108	of F	109	324
D		E 110	of F	101	of G	102	313
E		F 103	of G	104	of H	105	312
F		G 106	of H	107	of I	108	321
G		H 109	of I	110	of J	101	320
H		I 102	of J	103	of K	104	309
I		J 105	of K	106	of L	107	318
J		K 108	of L	109	of M	110	327
K		L 101	of M	102	of N	103	306
L		M 104	of N	105	of O	106	315
M		N 107	of O	108	of P	109	324
N		O 110	of P	101	of Q	102	313
O		P 103	of Q	104	of R	105	312
P		Q 106	of R	107	of S	108	321
Q		R 109	of S	110	of T	101	320
R		S 102	of T	103	of U	104	309
S		T 105	of U	106	of A	107	318
T		U 108	of A	109	of B	110	327
U		A 101	of B	102	of C	103	306

$ 6636

From the above claims, the following series of accounts will arise.

A

Dr.		*Cr.*	
To S	$ 107	By B	$101
T	109	C	102
U	101	D	103
		Balance	11
	317		317
To Balance	11		

B

Dr.		*Cr.*	
To A	$ 101	By C	$104
T	110	D	105
U	102	E	106
Balance	2		
	315		315
		By balance	2

C

Dr.		*Cr.*	
To A	$102	By D	$ 107
B	104	E	108
U	103	F	109
Balance	15		
	324		324
		By balance due	15

D

Dr.		*Cr.*	
To A	$ 103	By E	$110
B	105	F	101
C	107	G	102
		Balance	2
	115		115
To bal. due	2		

E

Dr.		*Cr.*	
To B	$ 106	By F	$103
C	108	G	104
D	110	H	105
		Balance	12
	324		324
To bal. due	12		

F

Dr.		*Cr.*	
To C	$109	By G	$ 106
D	101	H	107
E	103	I	108
Balance	8		
	321		321
		By balance due	8

G

Dr.		*Cr.*	
To D	$ 102	By H	$109
E	104	I	110
F	106	J	101
To bal. due	8		
	320		320
		By balance due	8

H

Dr.		*Cr.*	
To E	$ 105	By I	$ 102
F	107	J	103
G	109	K	104
		By balance	12
	321		321
To bal. due	12		

I

Dr.		*Cr.*	
To F.....	$108	By J.....	$ 105
G.....	110	K.....	106
H.....	102	L.....	107
		By balance due	2
	320		320
To bal. due	2		

J

Dr.		*Cr.*	
To G.....	$101	By K.....	$108
H.....	103	L.....	109
I.....	105	M.....	110
To bal. due	18		
	327		327
		By balance due	18

K

Dr.		*Cr.*	
To H.....	$104	By L.....	$101
I.....	106	M.....	102
J.....	108	N.....	103
		By balance	12
	318		318
To bal. due	12		

L

Dr.		*Cr.*	
To I.....	$107	By M.....	$ 0
J.....	10)	N.....	10
K.....	101	O.....	10
		By bal. due	9
	317		317
To bal. due	9		

M

Dr.		Cr.	
To J.....	$ 110	By N.....	$ 107
K.....	102	O.....	108
L.....	104	P.....	109
To bal. due	8		
	324		324
		By balance due	8

N

Dr.		Cr.	
To K.....	$103	By O.....	$110
L.....	105	P.....	101
M.....	107	Q.....	102
		Balance due	2
	315		315
To bal. due	2		

O

Dr,		Cr.	
To L.....	$ 106	By P....	$103
M.....	108	Q....	104
N.....	110	R.....	105
		By balance due	12
	324		324
To bal. due	12		

P

D.		Cr	
To M....	$109	By Q....	$103
N.....	101	R....	107
O.....	103	S.....	108
Balance due	8		
	321		321
		By balance due,	8

Q

Dr.		Cr.	
To N.....	$102	By R ...	$109
O.....	104	S.....	110
P.....	106	T....	101
To balance	8		
	320		320
		By balance due	8

S

Dr.		Cr.	
To P.....	$ 108	By T....	$105
Q.....	110	U....	106
R.....	102	A.....	107
		Balance	2
	320		320
To balance due	2		

R

Dr.		Cr.	
To O.....	$ 105	By S ...	$ 102
P.....	107	T....	103
Q.....	109	U.....	104
		Balance	12
	321		321
To bal. due.	12		

T

Dr.		Cr.	
To Q.....	$ 101	By U ...	$108
R.....	103	A.....	109
S.....	105	B.....	110
To bal. due	18		
	327		327
		By bal. due	18

U

Dr. to R.....	$ 104	Cr. by A.....	$101
S.....	106	B.....	102
T.....	108	C.....	103
		By balance due	12
	318		318
To balance due	12		

BALANCE SHEET.

	Dr.	Cr.
A	$ 11	
B		2
C		15
D	2	
E	12	
F		8
G		8
H	12	
I	2	
J		18
K	12	
L	2	
M		8
N	2	
O	12	
P		8
Q		8
R	12	
S	2	
T		18
U	12	
	93	93

Original amount of debts	6636
Cancelled by entry against each other	6543
Balance remaining to be cancelled by further entries	93

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PROSPECTUS

OF THE UNITED STATES GENERAL

BALANCING OFFICE:

AN EFFECTUAL SUBSTITUTE FOR

MONEY AND BANKING.

A Patent and newly-invented plan for evading the countless evils of the present system; and for effecting, at all times, the immediate settlement of claim and debt,

WITHOUT THE AID OF MONEY.

FOR this purpose, it is proposed to establish an office in each neighborhood, in which every subscriber may open an account, may receive credit for the claims which he makes upon others, and be charged with those which others make against him; his credits being applied to the liquidation of his debts, and the balance in his favor remaining, as so much cash in hand, available for further purposes.

All items of debt and credit sent in to account, will be forwarded to the accounts of those in whose favor, or against whom, they are made, whether resident within the limits of the said office or without, at any distance.

Debtors will be called upon to make payment by entry or otherwise to remit their creditors, direct, in money. In a general way, the communications of the different offices with each other, and the reciprocity of their action, will furnish correspondent debtors and creditors at home, in place of those at a distance, still retaining the original responsibilities.

All misapplication or embezzlement of funds is rendered impracticable by the nature of the plan. No clerk or agent is authorized to receive money, or in any way to handle it, on account of his clerkship or agency. His business is simply to transfer items of charge or credit from one account to another—in the performance of which duty he can make no improper appropriation to himself.

For general satisfaction, it is proposed that the body of subscribers in each locality elect a committee from among themselves, whose duty it shall be to attend to the accounts of the debtors, to regulate that with other offices; in some cases to elect, if they think proper, the clerk of the office, taking security for the performance of his duty; and to recommend any measure that in their opinion may be desirable for the security of the subscribers generally.

The vast benefits of such an establishment, whether perceived or not, at first sight, must be obvious, upon reflection. It will remove the difficulties arising from the arbitrary condition and general dependence on money; from its deficiencies as a circulating medium; from a vicious and depreciated currency, the disadvantages of distance, and difficulty of intercourse between

debtor and creditor. It will furnish a safe and effectual substitute for money, free from the cost of specie, from the objections applicable to paper money, from the danger of counterfeiting and of forgery, of becoming bad by the failure of banking or commercial companies, of being abstracted from its owner by the treachery of an unfaithful servant, of a perfidious friend, or by the violence of the unprincipled robber. It offers freedom from the necessity of giving credit, or trust, and from the loss, bankruptcy and ruin which frequently follow. It offers freedom from bad debts, the immediate payment of existing good claims, and the avoidance of expense and delay in collecting them. It enables the creditor to obtain the payment of his just debts, however distant or remote the residence of his debtor, as easily as he can post his books. It offers to every one the benefit of a banking or money account, and enables every holder of suitable property to enjoy pecuniary accommodations without the expense of interest.

These advantages are offered to the public on the very moderate terms of, first, a fee of one dollar on the first opening of each account. Secondly, a commission varying from one to two per cent; small sums one quarter or one half per cent. higher. Postage will be commuted at about one quarter of the regular expense, All extra postage to be charged to account.

On these terms, the good claims between the subscribers concerned will be collected for the claimants, that is, they will be brought to their credit in account, and the proceeds will be appropriated for them

in payment of their debts, or will form a balance of account in their favor, available as cash.

For a more full illustration of the merits of the proposed plan, the public are referred to the following work, now

JUST PUBLISHED,

MONEY AND BANKING;

OR, THEIR NATURE AND EFFECTS CONSIDERED; TOGETHER WITH A PLAN FOR THE UNIVERSAL DIFFUSION OF THEIR LEGITIMATE BENEFITS, WITHOUT THEIR EVILS. 12mo. pp. 220.

☞ Sold by the principal Booksellers in the United States, and by the undersigned.

*** Applications for agencies for the principal cities of the Union, addressed, post paid, to the general agent, will be duly attended to.

The emoluments arising from agencies will be liberal, and the duty easy; but correctness of account will be strictly required. In order to secure respectable agents, it is recommended, that all applications be accompanied by the most numerous and respectable list of persons intending to become subscribers, willing to recommend the applicant and to guarantee the performance of his duty.

WILLIAM BECK,
General Agent, Cincinnati.

RULES

SUGGESTED FOR ADOPTION

IN A

LOCAL SETTLEMENT OFFICE.

1. EVERY member opening an account at this office shall be entitled to send in a list of such good debts due to or from him, as he may think proper, for which he shall receive credit or debit in account.

2. Every member shall be answerable for the claims for which he takes credit. In every case in which the debtor fails to pay, or to return good credit in account, the item will be recharged to the claimant, and the claims of his creditors will, from that point, be transferred to his succeeding credits, in the same manner as if the unpaid item had not been entered. Good credit is that which is made good by final payment on the part of the debtor.

3. Every member discharges his debtor from all claims entered against him for which he shall have furnished good credit in account. Each party consents to admit the accounts of the office as evidence of the fact.

4. Every member opening an account engages that his credit shall be applied to the payment of such claims as shall be there entered against him, every such claim having priority of right according to priority of entry.

5. Every member shall be at liberty to dispute any claim made against him, which he may judge to be unjust or excessive; but without prejudice to the claimant's right of priority of entry, in case of successful suit.

6. No member shall withdraw his credits from account after they have become pledged to any claims appearing against them, till such claims are fully satisfied.

7. Every subscriber shall keep a book for the entry of all such items as relate to his account with the office, he shall require the agent to make these entries from time to time, and he shall take care that they are correct.

8. No clerk, or any other person employed by the office, is at any time authorized to receive money of any kind in payment of any claim entered in account for a subscriber. No claim can originate from a non subscriber.

9. The clerk of the office shall, at fixed periods, re charge to the claimants such claims as stand against non-subscribers, which are unpaid, or for which credit is not returned; he shall make out a balance sheet of the remaining debts and credits, and shall submit it to the subscribers for their consideration.

10. The subscribers shall elect, from their own body, a committee, who may, if they think proper, nominate a clerk, in case of vacancy, being answerable for the due discharge of his duties; require the production of his balance sheet at the appointed times; attend to the state of the debtors' accounts, and to that with distant parts; and shall recommend such means for general adoption as they may judge necessary to promote the good of the society generally.

11. Any member withdrawing will still remain liable, as before, for his claims upon his debtors, till they are discharged. If he be a debtor in his general account, he shall make payment by good and accepted claims upon other members, or in such currency as shall be satisfactory to the committee; or in default of these, his original creditors, to whom the unpaid debts shall be recharged, shall have the same claim against him at law as ordinary creditors.

12. Should the dissolution of the society be determined upon, all entry of fresh claims shall from that time cease, except of such as serve to pay off the debts of the debtors by claims on the creditors. The committee shall promote the settlement of such claims as far as it can be done to the satisfaction of the parties concerned; and those which cannot be so settled shall be re-charged to the claimants till a general balance is effected—leaving the creditor in possession of his claim upon his first debtor, in the same manner as it arose by his original contract.

N. B. With any remuneration for claims lying for any length of time unpaid, or for credit lent by transfer in account, which are private matters between the parties concerned, the society has nothing to do.